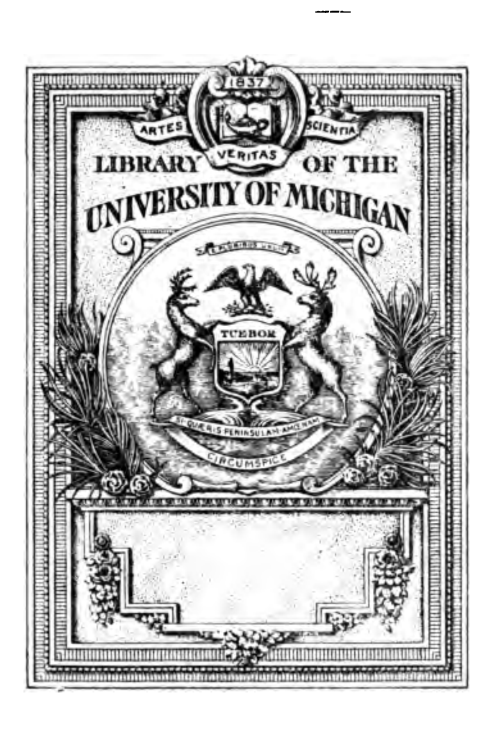


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PEOPLE'S CO-OPERATIVE BANKS

For Workers in Towns, and Small Holders, Allotment Cultivators, and others in Country Districts



BY

HENRY C. DEVINE

A POPULAR EXPOSITION
of the Co-operative Banks Movement

CASSELL & COMPANY, LIMITED
London, Paris, New York, Toronto & Melbourne
1908

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FOR WORKERS IN TOWNS, AND SMALL HOLDERS, ALLOTMENT CULTIVATORS, AND OTHERS IN COUNTRY DISTRICTS

BY

HENRY C. DEVINE

SECRETARY OF THE URBAN CO-OPERATIVE BANKS ASSOCIATION



CASSELL AND COMPANY, LIMITED

LONDON, PARIS, NEW YORK, TORONTO AND MELBOURNE

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Dedicated

BY PERMISSION

TO

ROBERT A. YERBURGH, Esq., D.L., J.P.

TO WHOM

THE CO-OPERATIVE BANKS MOVEMENT

OWES SO MUCH

PREFACE

THIS little book has been written in the midst of many pressing engagements in order to make the Co-operative Banks Movement better known, and in the hope of securing increased practical support for it.

The State recognition accorded to Co-operative Credit by the provisions of the Small Holdings and Allotments Act, 1907, relating thereto, will, I trust, make its publication specially opportune.

My experience as Secretary of the Co-operative Banks Association, the Co-operative Credit Department of the Agricultural Organisation Society, and the Urban Co-operative Banks Association, will at all events be a guarantee to my readers that the facts set forth have been gathered at first hand, and that the conclusions arrived at are not merely theoretical.

HENRY C. DEVINE.

39, VICTORIA STREET,
WESTMINSTER, S.W.

NOTE.—The terms "Urban" and "Town" Co-operative Banks or Societies as used throughout this book are interchangeable. The same remark applies to the terms "Rural," "Country" Banks and "Village" Credit Societies.

Whilst the author welcomes suggestions and criticisms of the Co-operative Banks Movement, he trusts that, in view of the heaviness of his correspondence, any letters requiring acknowledgment or reply will be accompanied with the necessary postage.

CONTENTS

CO-OPERATIVE BANKS

CHAPTER I

WHAT IS A CO-OPERATIVE BANK?

BEFORE dealing with the constitution, methods, and detailed advantages of People's Co-operative Banks, their use and progress, the circumstances under which they have been introduced into this country, and with what is required to make the movement the great and useful national success which I am convinced it could become, it behoves me to answer the elementary question, "What is a Co-operative Bank?"

One Definition.—The obvious technical reply that it is a bank conducted on co-operative principles, would not be particularly illuminative to the general reader, and so I will elaborate it by saying that Co-operative Banks in the United Kingdom are societies composed of small tradesmen, clerks, artisans, and working-people generally, with the addition of such members of other sections of Society as they invite or approve, formed in town and country districts, and conducted on co-operative principles, for the purpose of collecting and safeguarding the people's monetary savings on the one hand, and on the other constituting funds out of which such of their members as wish to obtain loans may do so upon satisfying their Committees of Management of the utility of the purposes for which advances are required, and of their personal honesty and ability to duly repay them.

Another Definition.—To many working-men this definition might appear to be what they would call a "reg'lar rigmarole," so for the benefit of such I will say that a Co-operative Bank is a mutual society,

formed, composed, and governed by working-people themselves, for encouraging regular saving and granting small loans on easy terms of interest and repayment.

Larger Types.—I am quite aware, of course, of the wider scope of Co-operative Banks on the Continent, especially in Germany, where their enormous turnover (dealt with in a later chapter) indicates that they are utilised not only by poor people, but also by those whose transactions are on a much larger scale.

But though in Great Britain and Ireland there is clearly scope for two classes of Co-operative Credit Societies—the first comparatively small ones for working-people, and the second larger ones for the benefit of members of other classes needing to borrow money for various reasons, but who at present must either go without the necessary accommodation, find themselves under the disagreeable necessity of borrowing from friends, or resort to money-lenders—it is working-class rather than middle-class Co-operative Banks which have so far been established here, and with which, therefore, this book is primarily concerned.

Objects of Banking.—The popular idea of a "Bank" is "a place where you put in money," although it would be no less accurate to define it as "a place from whence you take out money."

Savings Banks, Penny Banks, and such-like only perform half the functions of banking towards their members, as Loan Societies only perform the other half.

As a matter of fact, a bank is an establishment which deals in credit, attracting by the security which it offers a certain amount of money, retaining a fraction of this to meet possible demands, and using the balance in various forms of loans whereby it makes its profit.

Difference between Ordinary and Co-operative Banks.—This object People's Co-operative Banks set themselves to perform on behalf of the humbler classes of the community.

They are not competitors of the established private and joint stock banks of the country, but rather supplementary institutions—"rivulets of the river of

banking," as the Managing Director of one of the large London banking institutions happily described them to the writer recently.

They are rivulets and not rivals because they assist many to rise to the status of ordinary bank customers, and deal with a class of business which is neither cared for nor catered for by bankers generally, on account of its smallness and lack of commercial profit; and also because they abstain from departments of banking which require expensive expert management.

It would not pay an ordinary bank to deal in the tiny deposits and small loans which compose most of the business of a Co-operative Bank.

Even as it is, bankers feel compelled to charge many of their smaller customers so much a year for permitting them to bank with them.

Then, again, the members of Co-operative Banks who need financial accommodation do not possess the tangible security which bankers very naturally require.

The principal security of a Co-operative Bank borrower is his character, and this is rarely supplemented by anything stronger than one or two personal sureties of men of his own economic status.

This mutual trust is found by Co-operative Banks safe in practice, but if it were exercised by commercial concerns it would be otherwise.

Safety of Co-operative Banking.—The man who would not trouble to repay a loan obtained from the wearer of a frock coat and silk hat, on the ground that "'E can afford to do without the money better than I can," would strain his utmost to discharge a similar obligation towards a society of his own class.

Not to do so would be considered as "robbing his pals," and would lead to his being cold-shouldered (or worse) by his fellow workmates.

Hence there is a stronger monetary conscientiousness between workman and workman than between workman and parson or other charitable lender, which is one practical reason why patronage should not be intrusive in connection with Co-operative Banks.

In villages the security of personal credit is specially strong, as "everyone knows everyone else and all about

them," and it is therefore comparatively easy to distinguish those who can be trusted from those who cannot.

But even in town centres, especially in the Provinces, men of their own class have a fair knowledge of each other's character and ability and considerable facility in "spotting a wrong 'un."

This is the principal reason why so few losses, and those only of small amounts, retrievable from reserve and contingency funds, are made by People's Co-operative Banks.

Principles of Co-operative Banking.—I have only sketched the skeleton, as it were, of such societies in these brief introductory remarks.

Their vitality is due to their co-operative principles—the brotherhood basis upon which they are formed and worked—and the education in individual and social life which animates them.

They claim the sympathy and support of public-spirited men and women not only because they enable poor people to retain amongst themselves the financial profit of their economic transactions, but also—and mainly—because they train the intelligence and character of their members, educating them in self-control, reasonable prudence, administrative ability, and other qualities tending to the improvement of manhood, the capacity for free citizenship, and considerate human comradeship.

Limited and Unlimited Liability Banks.—There are, roughly speaking, two kinds of these societies, one formed with shares on limited liability principles, the other without shares, with unlimited liability.

In this country these are respectively known as Urban or Town Co-operative Banks, and Village Credit Societies, Country Co-operative Banks or Agricultural Banks.

Abroad it is different, both classes of societies operating in urban and rural districts.

The next two chapters set forth the detailed constitution and methods of these types of Co-operative Banks.

CHAPTER II

URBAN CO-OPERATIVE BANKS—CONSTITUTION AND METHODS

URBAN Co-operative Banks are registered under the Industrial and Provident Societies Act, 1893, as amended in 1894 and 1895.

(A) *Entrance Fees.*—Some of these societies charge an entrance fee of 6d. per member, and others of 6d. per share. In my opinion, it is better to charge 6d. or 1s. *per member,* but the decision on this and other minor points rests with their local committees.

(B) *Shares.*—Each member must subscribe for at least one share, the value of which is generally £1, but may be as low as 10s., 5s., or even less. They may be paid up at the rate of 3d. or 6d. per week. The dividend on shares is limited to not more than 5 per cent. per annum.

They are not *withdrawable* but are *transferable,* and every facility is afforded for the transfer of shares by those leaving a neighbourhood or whose poverty compels them to realise their investment in the society.

A member's financial liability is limited to the amount of his shareholding.

(C) *Size of Districts.*—The area of each Society is limited to a small district in order that the character of applicants for advances should be either well known or easily ascertainable.

(D) *Members' Powers and Responsibility.*—Each member, whatever the amount of his shareholding, has one vote only which he can exercise at Ordinary and Special General Meetings. No voting by proxy is allowed.

(E) *Committees of Management and Treasurers.*—An Executive Committee (consisting of from five to thirteen members) and a Treasurer are elected at Annual General Meeting, which all members are invited to and entitled to attend.

(F) *Committee's Powers and Duties.*—These are to appoint a Secretary (who has no vote at Committee Meetings), admit members, grant loans, fix the rates of interest for borrowers and depositors, and generally manage the Society on behalf of the members.

(G) *Councils of Supervision.*—A Council of Supervision of not less than three nor more than nine members should also be elected every year by the General Meeting from amongst the members of the Society, who are not on the Committee. The duties of this Council are to meet three or four times a year to review the transactions of the Society, to see that its rules are being complied with, and its members' interests duly safeguarded.

So much for the constitution of Town Co-operative Banks.

It will now be opportune to describe their methods of work.

The benefits conferred by them will be dealt with afterwards.

Town Co-operative Banks have two departments, one for receiving deposits from members and non-members upon which interest is paid, the other for making advances *to members only* upon which interest is charged.

Before dealing with these two departments, which represent one great difference between the operations of Co-operative Banks and those of Savings Banks (Penny and otherwise), Slate Loan Clubs, and Mutual Loan Societies, it may be as well to say a few words regarding the disposal of the profits arising from the business of such a society.

Profits and Dividends.—The general rule is to place one-fifth of the profits of each year to the Reserve Fund.

Out of the balance of profit a dividend not exceed-

ing 5 per cent. per annum on *fully paid up* shares may be declared.

Any other profit is free to enable the Society—

(*a*) To remunerate officials.
(*b*) To devote to educational or other purposes at the determination of the General Meeting.
(*c*) To reduce its charges to borrowing members.

The best method of doing the latter is to declare a dividend to custom in the shape of a bonus upon advances made, thus demonstrating in a practical manner the economic advantage of the union of members.

Management Expenses.—It is most essential that the expenses of conducting these financial friendly societies be small.

The principal items of expenditure are Secretary's Salary or Honorarium, Rent of office, and Printing.

The Secretaries are the only paid members, and the acknowledgment made to them for their services varies, according to the profits of the particular society, from £5 to £20 per annum.

It is often possible to secure the use of a room, one or two nights a week, rent free, on the premises of a School, Institute, Club, or Settlement.

In other cases, from 1s. upwards a week would have to be allowed. Printing need only be a small item.

Loans and Rates of Interest.—Loans are granted to *members only*, and solely for purposes which, in the opinion of the Committee of Management, are wise and remunerative.

The limitation of dividend on shares, referred to previously, removes the temptation which might otherwise arise in some cases to charge extortionately for loans, and so enrich those who did not use the society for borrowing at the expense of members applying for advances.

As Co-operative Banks are established for the mutual benefit of all their members, and not for the purpose of paying large dividends to their shareholders, it is

by *means* of *but outside* the Bank that profit accrues to those who join them.

No uniform rate for loans has been adopted, but the average charge made by English Town Banks has hitherto been 2d. in the £ per month on the amount outstanding.

The exact amount to be charged by Committees depends upon :—

1. The size of a society.
2. Its annual turnover.
3. Its cost of maintenance.
4. The payment or otherwise of officers.

Extremely low as the above-mentioned rate is compared to the ½d., 1d., and more *per shilling per week* charged by working-class money-lenders in warehouses, workshops, and mean streets, which works out at 3s. 4d. and 6s. 8d. in the £ and upwards per month, or over 200, 400, and 1,000 per cent. per annum, it is sometimes criticised as heavy, and contrasted to its disadvantage with the 5 per cent. charged on overdrafts to their customers by Private and Joint Stock Banks.

A little experience of working-class life and working-class loans would soon show such critics that they were speaking in ignorance.

The man who goes to his Joint Stock Bank for an overdraft of, say, £1,000, generally deposits or gives his banker a lien over, undoubted security for it, besides turning over with him in the course of the year business which yields other profits to the bank.

If, at the end of a year or other period agreed upon, the banker wishes to realise his loan, he can call it in, and has made upon it probably at least 3 per cent. or £30 (the difference between a payment of 2 per cent. paid on deposits and 5 per cent. charged), with little or no risk of loss. This illustration refers to normal times, unlike those of the moment, when the Bank of England rate is so high.

In the case of a People's Co-operative Bank, £1,000 might represent not merely one but two or three hundred or more separate loan transactions.

Much more searching inquiries have to be made as

to the reliability of these borrowers of sums from £1 and upwards, and the security received, apart from the character of the borrower (which is the most important), is simply a promissory note signed by the borrower and backed by one or two sureties.

As the interest includes all expenses of inquiries, innumerable entries in the books, reminders to debtors in arrear, and risk of bad debts, I feel sure that any business man will admit that 2d. in the £ per month is both a cheap and moral charge to make under the circumstances.

Anyhow, working-men fully recognise this, and it may be lowered by the bonus system.

Loans are generally repaid at the rate of 6d. in the £ per week, but interest is only charged on the balance outstanding from month to month.

Fines, as fixed by the Rules, may be charged for amounts in arrear, but in cases where these arrears are shown to be the result of unforeseen misfortune or poverty they are not required.

With ordinary usurers a debtor's difficulty is his creditor's opportunity to grind more profit out of him, regardless of everything else.

In the case of a Co-operative Bank a defaulting member is treated with brotherly consideration.

Depositors.—The banks also receive deposits, and as a rule pay thereon 3 per cent. interest per annum on complete pounds deposited for complete months.

Their security is the paid and unpaid share capital, combined with regular statements of accounts and yearly audit.

Depositors have, of course, a first claim upon the assets of the societies.

As banks affiliated to the Urban Co-operative Banks Association can always obtain 3 per cent. interest upon their surplus funds from the Central Banks Committee, described in Chapter IX., they can accept deposits freely from their members.

CHAPTER III

RURAL CO-OPERATIVE BANKS—CONSTITUTION AND METHODS

RURAL Co-operative Banks, known generally in this country as Village Credit Societies, are constituted somewhat differently, and are registered as specially authorised societies under the Friendly Societies Act, 1896.

(A) *Entrance Fees*.—A small entrance fee, the amount of which is fixed by the Committee, is charged on joining. This is often no more than 1s., and never exceeds 5s.

(B) *No Shares nor Dividends*.—They have no shares, and therefore no dividend to pay thereon.

Profits are made, as in the case of Town Banks, by the difference between the sum paid for the use of money and the charge made for the same.

Reserve Funds.—Any surplus accruing to a society after payment of the cost of administration is carried to a reserve fund. Should any loss be incurred, it may be met out of this fund if voted by the Annual General Meeting.

According to one of their Rules, Reserve Funds are not divisible amongst the members under any circumstances.

If a society is dissolved, it must be devoted to some useful purpose in the district; the object can be determined upon by the meeting at which the dissolution of the society takes place.

Management Expenses.—These are extremely small, the village parson, postmaster, schoolmaster, or some small holder being generally found willing to undertake the duties of the secretaryship, either in a

purely honorary capacity or for an extremely small honorarium.

It is also rarely necessary to pay rent in a village, which means a saving over town conditions, and the printing item, where everybody knows everybody, is naturally an extremely small item.

Another small saving is effected through the exemption from stamp duty on certain legal documents accorded to Friendly Societies which divide no profit, bonus, or dividend amongst their members.

(C) *Size of Districts.*—In order that members shall be fully acquainted with one another, it is well to limit the area of each society to one parish, but if this is too small two or three can be included.

(D) *Members' Powers and Responsibility.* — Each member has one vote solely, which he can exercise only by personal attendance at Annual General and Special Meetings.

(E) *Committees of Management, Trustees, Treasurers, and Secretaries.*—The Committee (consisting of at least five persons) has to be elected by the members from amongst themselves at the Annual General Meeting.

The General Meeting also appoints at least three Trustees, in whom the property of the society is vested, and who invest any of its funds (not required for loans or repayment of deposits) under the conditions of the Friendly Societies Act, as sanctioned by the Committee.

The Treasurer, who is appointed by the General Meeting, becomes, by virtue of his office, a member of the Committee, and receives from the Secretary all moneys paid to him on behalf of the society.

The Secretary is appointed by the Committee.

(F) *Committee's Duties.*—These are to appoint a Secretary (who has no vote at Committee Meetings), to elect a Chairman, who also presides over the General Meetings of the society, to admit members, grant loans, and fix the rates of interest for borrowers and depositors.

(G) *Council of Control.*—The duties of this body are to meet at least once a quarter to review the work of

the Committee and satisfy itself that all the Rules have been kept.

It presents a report to the Annual General Meeting, and at meetings of the Committee to consider conjointly with itself any matters which it deems desirable to be settled thus.

It consists of not more than five members (who must not be members of the Committee), elected annually at the General Meeting.

In consequence of the difficulty found in some districts of constituting a Council of Control, its formation is made permissive in English Rules.

The advantages of such supervision are, however, undoubted, and societies are strongly recommended to establish it.

Loans and Borrowers.—Loans are granted *to members only,* and solely for productive, business, or economical purposes likely to be beneficial to them.

Ample time is allowed for borrowers to make their profits out of advances before repayment.

In country districts loans are generally repaid in full at the end of a fixed time instead of by weekly or monthly instalments, as in towns, where money is turnêd over more quickly.

It is also possible to charge less—

(*a*) Because the management expenses, as explained in a previous paragraph, are so extremely low.

(*b*) Because there is no share capital upon which interest has to be paid.

The charges of village societies in this country have hitherto been 5 and 6 per cent. per annum.

Sureties.—Applicants for loans are required to offer, in addition to their personal security, that of one or two friends who are willing to guarantee to repay them in full to the society should they fail to do so.

The exact number of sureties is determined by the Committee.

Security Forms.—Two kinds of forms are used. The first is an ordinary promissory note; the second an agreement setting forth the purpose for which the loan

is granted and the terms arranged for its repayment, signed by the Borrower and the Surety or Sureties who agree thereon to be responsible for the principal and interest in case of default.

Depositors.—These societies also receive deposits, and pay not more than 4 per cent. interest upon them. The rate has generally been 3 per cent.

Societies may, subject to the provisions of the Societies Borrowing Powers Act, 1898 (relating to non-division of profits), receive deposits or borrow money at interest from non-members.

As the Central Co-operative Agricultural Bank, Limited, pays 3 per cent. upon any surplus funds placed in its hands, local credit societies who are members thereof can accept all deposits tendered to them.

Initial Capital.—Two questions will naturally suggest themselves in connection with village societies, viz.:—

1. How do they, in the absence of shares, obtain their working capital?
2. Why are they formed on principles of unlimited liability, and how does it work in practice?

The answer to the first is that they obtain advances, at as low a rate of interest as possible, from bankers (including the Central Co-operative Agricultural Bank) or private friends, on the collective security of their members.

They thus afford an opportunity to many better-off persons to help their neighbours on brotherly business lines.

Unlimited Liability Safeguards.—The answer to the second is that most of those whom these societies are intended to benefit either cannot afford to invest in shares, or would be deterred by being required to do so from forming them, or would burden themselves thereby with an unnecessary charge for interest on share capital which would raise the cost of loans.

It is also considered that less personal interest would be evoked and less careful supervision result if the

financial liability of members of these societies was more limited. It is found that in country villages unlimited liability can be practised with safety—

(*a*) If these societies are careful in admitting only members of the right stamp, and it is not difficult to ascertain the stability and trustworthiness or otherwise of village residents.

(*b*) If they limit by Rule or Bye-law the sum to be lent to any individual member, subject to a special resolution of a General Meeting, and also the aggregate amount to be lent by the society.

The purposes of loans and benefits received through Town and Country Banks will be considered in the ensuing chapters.

CHAPTER IV

BENEFITS OF URBAN AND RURAL CO-OPERATIVE BANKS

I NOW come to deal with the benefits which are conferred by Urban and Rural Co-operative Banks established on the lines described in the two preceding chapters.

There is something about Co-operative credit which induces its admirers and advocates (I was nearly writing votaries) to indulge in most high-flown language regarding its influence and effect. The apathy of "the man in the street," especially in connection with economic problems, is so great that it often seems as if it were impossible to arrest his attention without the use of exaggeration.

Personally, however, I wish to state nothing in this little book which will not bear examination in the cold light of literal truth, and I think that a prosaic recital of the benefits which Urban and Rural Co-operative Banks have effected and are capable of conferring will be sufficient to convince the impartial student of the subject of their great usefulness, without claiming that they possess the magical effect of reclaiming drunkards, turning illiterate persons into capable scholars, and bringing peace and plenty out of sterile conditions as a conjuror produces all sorts of articles out of an empty hat.

Amelioration of Poverty.—The credit of anything which they accomplish in this direction they share in common with other agencies of a religious, moral, mental and economic character which operate against the depressing effects of sordid poverty, ignorance, and helplessness.

It is not claimed that they are a panacea for poverty in towns and cities, or *the* cure for agricultural depression in the countryside, but only that they are one of many ways of improving the conditions of the poor

and bringing about the better distribution of wealth, and opportunity for individual and social betterment.

Twofold Character of Benefits.—The benefits of these societies are material and moral—economic and educative.

No one who does not realise and appreciate both aspects of genuine Co-operative credit is likely to make much progress with it.

Co-operation which is non-moral is a misnomer.

Co-operation in economic affairs which is not conducted on business-like lines will fail.

But it must be brotherly business, not ordinary commercialism.

Economic Benefits.—First let us look at the economic benefits of this form of Co-operation. Banking has been the means of verifying Francis Bacon's dictum, " Money is like muck, it is no good unless it is well spread," or, as a Lancashire J.P. put it at a public meeting recently, " Money were no good wi'out it were weel sprodden ! "

Co-operative Banks place within the reach of the poorer many, by combination, the advantages of monetary credit previously monopolised (willingly or unwillingly) by the richer few.

The advantages of legitimate as distinguished from gambling credit, in the everyday life of civilised communities are recognised as enormous.

By its means production is increased, exchange facilitated, improvements stimulated, employment enlarged, and trade expanded.

It is a truism to say that the trade of our country would not be a tithe of what it is were it not for the assistance of credit.

But commercial credit is generally confined to those who have what are known as tangible forms of wealth security to pledge with bankers and others from whom it is obtained.

The poverty of the poor precludes them from the use of this bounteous river.

It is as if the large landowners in a parched district could have the advantages of irrigation, whilst the small holders were debarred on account of the expense.

Now, the small man can benefit proportionately by the use of credit as much or more than the big man, and it is the object of People's Co-operative Banks to provide him, or rather to show him *how he may provide himself,* with the means of doing so.

Should Poor People Borrow?—This part of my subject hinges on the right reply to the question, "Should poor people borrow?"

There are those who meet the question with a direct negative.

They are generally in comfortable circumstances themselves, oftentimes as the result of borrowed capital, and their income (especially if they are out of trade) is largely dependent upon the demand for commercial, municipal, and governmental credit.

Therefore their objection is not to credit *per se,* but to credit to the poor.

If they merely objected to lending to the poor themselves, on the ground that the practice was generally unsafe, I would agree with them, because I believe that for better-off individuals to lend to poor persons very often leads to loss and unpleasantness.

But this objection is overcome by the constitution of Co-operative Banks, which provide security for advances made to them by outsiders, in the case of Urban Societies by their share capital and reserve funds, and of Rural Societies by the joint and several guarantee of their members.

Their real objection, however, is that the poor do not need to borrow, that it is wrong to make credit cheap for them, and that to do so is not to benefit them but the reverse.

To facilitate credit for the poor has been described as an almost unmixed evil, mainly on the ground that it leads them to pledge their future earnings instead of living within their incomes.

In so far as these criticisms are actuated by lack of goodwill, they are condemned offhand by the growth of humanitarianism and the increased interest in the welfare of the poorest of our fellow men which distinguishes the age in which we live.

But when, as is often the case, they are held by

men and women of wide social sympathies, they are entitled to be considered and answered by those who believe in the benefits of democratising credit.

Reply to Objections.—My reply to these criticisms, based upon many years' experience, is that there is a vast and useful field of social service in providing cheap credit for the poor, and that *if the work is done on right lines* it will tend towards economic emancipation rather than enslavement.

What these lines are it is the object of other portions of this book to explain, but it will perhaps not be out of place here for me to acknowledge that there are dangers to be guarded against in the shape of reckless or indiscriminate lending, and therefore the managers of Co-operative Banks should always ascertain the objects of loans and be satisfied of their utility before granting them.

There are three classes of potential borrowers: (*a*) productive, (*b*) social, (*c*) improvident.

Productive Credit.—The best class of loans to be dealt with are those required for distinctly productive purposes.

It is monstrously inaccurate to draw a line between those who possess ordinary banking credit and those who do not, and to say, "These have capacity for and could profitably occupy themselves in productive business of one kind and another, but those cannot."

As a matter of fact, many of those below the line could produce things and sell them better than those above it, *if they had the opportunity.*

The purposes for which loans are required in town and country districts, though sometimes similar, are generally different.

Town Loan Purposes and Examples.—A townsman may want to start a business or to develop an existing one.

He may wish to obtain extra discount by paying cash to his wholesale dealer.

Costermongers and other street salesmen regularly need productive credit for buying (instead of hiring) barrows and stalls and stocking the same to the best advantage.

Other objects of Town Co-operative Bank loans have been to buy horses, donkeys, and carts for portering and other work; to set up a laundry, to undertake painting and repairs (paying for material and labour whilst the jobs were in progress), to equip and carry on a coffee stall, purchase small electro-plating plant, patent inventions, to pay off loans previously contracted at usurious interest; and, in the case of women, to buy sewing machines, mangles, and wringers for income-earning purposes.

It may help to impress upon those of my readers unacquainted with the profitable results of small loans in town districts if I mention a few examples which have come under my observation.

I am prevented by space considerations from quoting more than a few, and, in order to prevent the identification of the borrowers, from giving all the details of those selected, although some of them have testified publicly to the benefits they have obtained through membership of Town Co-operative Banks, such testimonies, it is needless to say, proving more effective recommendations of Co-operative credit than any number of set speeches or any array of statistics.

> EXAMPLE 1.—At the annual meeting of a local society which I attended a stout, uneducated man, who either was or had been a seller of watercress, rose up and, in stentorian tones, shouted out: "Gentlemen, there's bin a lot o' tork abart wot this 'ere bank can do and carn't do—I'll tell you wot it done for me. This bank's the best thing wot's ever 'appened to me. I was darn in the mud wen it cum to my succor and lent me £5, to buy a barrer and to trade with, and now I've not only returned that, but got £5 in the deposit side."
>
> EXAMPLE 2.—Another case was that of a carpenter, who borrowed money to enable him to improve the education of his daughter after school age, whereby she learnt typewriting, book-keeping, and shorthand, which gained her a situation at 30s. per week.
>
> EXAMPLE 3.—Then I remember the instance of a

poor man in the East End who applied for a loan of £1 for a "domestic purpose." It turned out on inquiry that he wanted it to send his "wife and kids to Kent for the 'oppin' (hopping) season." The accommodation was granted to him for two months at an inclusive charge of 6d.

EXAMPLE 4.—Another man borrowed a much larger sum, on adequate security, to purchase an insurance "book" as a means of livelihood, and repaid the advance out of the profits of the occupation which it obtained for him.

EXAMPLES 5, 6, and 7.—One small tradesman was accommodated with several pounds to stock his shop with Christmas novelties, another (a chemist) to render him more independent in dealing with his wholesale druggist, and another to buy tobacco, toys, etc.

EXAMPLES 8 and 9.—Several women, much to their advantage, have had their scanty capital supplemented by loans towards the furnishing of lodging-houses and embarking on dressmaking businesses.

EXAMPLES 10, 11, and 12.—Then, coming to bigger transactions, I am reminded of a butcher who, though not in a large way of business, had an opportunity of securing £100 worth of special mission orders, for which he was not to be paid for a month, who borrowed the amount which enabled him to execute them; of a man in a provincial town to whom £40 was lent (and duly repaid) to buy a "milk round"; of an omnibus driver, whose son, a blacksmith, finding the work too heavy for him, borrowed £35, for a coal cart, scales, etc., and repaid the loan at 17s. per week. When last I heard of them, father and son were partners as coal dealers and contractors, owning three carts.

EXAMPLE 13.—Once, when the price of tin was going up rapidly, a small master, who had a job on, for which he required a quantity of this metal, by means of a timely loan, was able to buy it at once and make a profit, whereas delay, to use his own words, would have meant "a loss on the deal."

EXAMPLE 14.—The space at my disposal for examples of the hundred and one serviceable purposes of urban loans being nearly expended, I will conclude with the case of a greengrocer whose pony (which he had imprudently omitted to insure) died. He had to hire another, at a cost of 15s. a week and its feed, till he bethought him of the Co-operative Bank, which lent him sufficient to buy one, which he repaid by twenty instalments of an equal amount to that which he had previously to pay for weekly hire only.

Many other objects of manufacture, purchase, and sale on a small scale will suggest themselves to the reader. Extracts from letters which I often receive from persons requiring financial accommodation would furnish a very lengthy list.

Though big manufactories have largely superseded smaller ones, there are still tens of thousands of little workshops where facilities for obtaining cash credit, especially at week-ends, makes all the difference between adequate or inadequate profits.

Manufactured goods have to be sold on a Saturday at much less than their fair value, because their makers must have money at any cost for wages and home expenses.

I have heard, for instance, of small cabinet-makers trying in vain to sell suites of furniture in the rough, being driven at last to accept what they could get through being too hard-up to keep them in stock for a few days over the week-end.

Country Loan Purposes and Examples.—The productive purposes to which small loans can be applied with profit in country districts are very numerous, and will be greatly increased in volume now that the multiplication of groups of small holders has become a part of our national policy. Indeed, it is generally agreed that the provision of cheap credit is absolutely essential to its success.

The principal ones are to buy seeds, manure, stock, and feeding stuffs for allotments and small holdings.

As there is nothing like practical proof to convince

doubters, I will quote a few typical transactions in connection with English Village Credit Societies from an article I contributed to the *Journal of the Board of Agriculture*:—

> CASE 1.—A farm labourer, an industrious man, who had brought up a large family, had managed to save a little money. He took half an acre, then three acres and the proverbial cow; then, when nearly sixty years of age, seized the opportunity to hire a small farm of fifty acres, which he managed to enter and stock, except with sheep.
>
> To purchase these the Village Credit Society granted him a loan of £30, on the security of his live and dead stock and corn in stack, which he insured, at the instance of the society, for £150.
>
> But for this loan the borrower would have had to sell his sheep food, to his own loss and to the damage of the farm. Having punctually discharged his debt, he applied for a fresh loan of £40, again to buy sheep, as his roots were more plentiful than in the previous season. The loan was granted, on the same security as before, and duly discharged.
>
> A further loan of £20 was granted, and paid off to the day. After a year the borrower saw a chance of placing his sons on a small farm, which he partially stocked for them. In order to do this, however, and replenish his own holding, he applied for another loan of £50, which was granted on the same security.
>
> CASE 2.—A working foreman deposited £50 with his Village Credit Society. When the chance offered of taking a small farm, he borrowed £50, on the security of his deposit, and a further £50 on the guarantee of two sureties.
>
> This man's farm looks well, and as he is hardworking and knows his business, his success is fairly certain.
>
> CASE 3.—A foreman in a commercial concern established himself independently in the same line

of business, and locked up his small capital in manufactured goods of his own production. He was granted a loan by the Village Credit Society on the security of his stock in hand and of two sureties. This loan was repaid, and a fresh one for a smaller sum granted, which, after an extension of time—asked for on the ground that it would enable the borrower to establish himself—was duly repaid.

This man has now secured a connection of customers, and has a good prospect of success.

But for these loans he would have been obliged to sell his first manufactured stock at a sacrifice, and must have drifted to his old position, and thus lost the independence he coveted.

CASE 4.—One member borrowed £10 and bought some ewes, which, with their produce, more than doubled the amount before the time of repayment (twelve months) arrived.

CASE 5.—A £20 loan to another member, to repair his cucumber and tomato houses, prevented them going further into decay and probably getting past repair. They are now full of plants, and looking very prosperous.

CASE 6.—A £5 loan to a member five years ago bought his first sow, and he has had pigs ever since.

Many other instances could be given whereby industrious labourers and small-holders have been enabled to increase their incomes and improve their positions by borrowing small sums from English Village Credit Societies.

The operations of the Small Holdings and Allotments Act, 1907, will doubtless provide a very much widened sphere for such societies, whose necessity has been recognised by the framers of the Act.

Social Credit.—There is also amongst the poor a great necessity for occasional credit for other than purely productive purposes.

Emergencies of illness, maternity cases, desire to

buy articles for cash instead of on the more costly and oftentimes wasteful hire-purchase system, for the apprenticeship of children, the redemption of clothes, tools, and furniture from pawn, to save homes from being broken up, to remove to neighbourhoods where employment is more plentiful.

These and other social needs cannot always be met out of previous savings, and are legitimate purposes for advances from Town and Country Co-operative Banks.

Even when a man is a member of a Sick Benefit Friendly Society or Trades Union he often requires more to maintain himself and his family when ill or out of work than the allowances he is entitled to draw from them, and a loan from his own Co-operative Bank is of invaluable assistance in lessening his worry and conducing to restoration of health and employment.

Improvident Credit.—Finally there is another class of borrowers with whom Co-operative Banks should have nothing to do, viz., lazy, vicious, or slack persons who live in an atmosphere of permanent indebtedness, are always a week or more behind in their obligations, and would sink to the same state from choice or weakness as often as they were put straight.

The purposes to which they would devote any sums that might foolishly be advanced to them would be drinking, gambling, or other forms of self-indulgent extravagance.

I do not say or think that none of these persons, who are often "more sinned against than sinning," could not be rescued from their deplorable condition, but until this is done they are not fit subjects for membership of a People's Co-operative Bank.

These are evidently the type of individual responsible for the mistaken impression of some good people that it is unwise to improve credit facilities for the poor.

But though I admit with regret that they form a numerous class in the midst of our modern civilisation, I unhesitatingly assert that it is a great libel on the small tradesmen, clerks, artisans, and labourers of our towns and villages to identify them with such backboneless parasites, and also that Co-operative Banks, which

set so much store upon character, are likely to lessen rather than increase their number.

Give a man hope, show him that, though poor, he may, if trustworthy and industrious, obtain a gradually increasing share in monetary capital, and you do more to induce him to forsake lax ways and discreditable habits than by any amount of mere condemnation.

In the next chapter I will deal with further benefits of Urban and Rural Co-operative Banks.

CHAPTER V

BENEFITS OF URBAN AND RURAL CO-OPERATIVE BANKS *(continued)*

ANOTHER economic benefit of popular banking is the facility which it affords for the regular and systematic saving of small sums of money.

If it be true, as some assert, that no one should be trusted with a loan unless and until he has shown self-control by saving, People's Co-operative Banks are excellent training grounds for producing the right type of borrowers, because they each possess a Savings Department which can be brought into closer contact with potential depositors than the Post Office or other Savings Banks.

I say " can be " because I have to add that, so far, the Co-operative Banks already established in this country have by no means risen to the opportunity they possess of developing this aspect of thrift.

There is in human nature an instinct for saving, but there is also an inability to carry out the impulse. Just as the muscles of the athlete have to be cultivated, so this latent faculty has to be developed if it is to be of any real service.

In most homes a certain amount of money is going to waste.

There is considerable necessity for improved methods of attracting and capturing it at the psychological moment.

As soon as the first idea of thrift is developed the individual concerned is encouraged to go on, until in a short time it becomes a habit.

Objections to Saving.—When you talk about saving, some working-class critics say, " Saving, forsooth! What about the millions on the poverty line?" "How can people save when they do not receive enough to live upon?" and so on.

Employers of labour have spoken to me somewhat similarly:

" After our 'hands' have paid their rent, living expenses, and Friendly Society subscriptions they have nothing left." " To induce them to save would be to cause them to rob either their families or their provident societies."

Then there are those who object to saving on principle, because they think it would condemn men to a low standard of life, and make them satisfied with economic conditions which should be altered.

Answers to Objectors who Consider it Impracticable.—The answer to the first two classes of objectors is that when people are on or below " the poverty line " they cannot save, but that in hosts of instances, if they had formed the habit of wise saving, they would not have found themselves in penury.

Then what about the thousands of others who are not so hard up? Because Tom cannot be expected to save anything out of £1 a week, is that a justifiable reason for Dick not saving anything out of £2 or Harry out of £2 10s.?

My experience has shown me that all persons living under normal conditions can save *something* if they wish to.

There are, of course, special periods in life when considerable savings can be accumulated—before marriage, for example, and when a man is doing well—and there are other periods when savings must be merely nominal or even temporarily suspended altogether, such as when out of work, during times of sickness, or when bringing up a large family.

> EXAMPLES.—In the course of my travels I come across innumerable cases, which I could quote if space permitted, to prove the practicability of increased saving.
>
> Last summer, for example, when chatting with

a labouring man, I mentioned that I often spent sixpence a day on apples, to which he retorted, "That's nothin', guv'nor, I spend hayteenpence a day on hale."

The other day, when travelling in the Midlands, a man on the platform was engaged in earnest conversation with one of my fellow passengers, who slipped a coin into his hand as the train moved out of the station.

In conversation afterwards, this man informed me that his friend had been earning 50s. a week for many years, and was now incapacitated from his employment without having saved a penny.

The consequence was that he was appealing to him for money, although he himself had never received more than £2 a week in wages, and out of that had saved sufficient to set up as a small greengrocer.

The Warden of a well-known Settlement once told me that it was useless to attempt to establish a Co-operative Bank in his poor district, as the people there could never save a penny. He then had occasion to leave the room for a few minutes to see someone else, when one of the "destitute" members of his institute blurted out to me, "That's all bunkum, mister; 'e don't know wot 'ee's a-torkin' abart; there's plenty of spare cash rarnd 'ere, but most on it goes in beer and bettin'."

After more than twenty years' intimate friendly intercourse with working-people I am convinced that there is plenty of room for a sound organisation for encouraging this aspect of thrift, and I say this with full knowledge and appreciation of the work of our Savings Banks, Savings Collecting Societies, Friendly Societies, and Co-operative Distribution, Production, and Building enterprises, with which it should work in alliance.

Obvious methods of encouraging saving should be supplemented by ingenious inducements.

The home safe system, for instance, provides an excellent mechanical means for inducing this form of thrift well worthy of adoption by People's Co-operative Banks.

A home safe is a small steel box, with a locked door on the side and a slot in the top, with a device inside to prevent coins from slipping out.

These "safes" are lent out to depositors, and returned to them by the bank of issue once a month for their deposits to be taken out and credited to them.

The idea of the system is "going to customers instead of waiting for them to come to you," and having a branch of the bank, as it were, always open in every home.

An excellent sixpenny booklet (somewhat spoiled by unnecessary references to political controversies) on saving generally, and by means of the home safe system in particular, by Mr. Edward J. Howell, was published last year by Bemrose's under the title of "Wake up! John Bull."

Answers to Objectors who Consider it Inadvisable.—Assuming that the possibility of increasing popular savings is accepted, the question of its advisability arises, and this involves dealing with the third class of objectors to saving.

I think that a fair statement of their argument is that capitalistic employers recognise certain wasteful forms of expenditure as necessary for their employees, and pay them accordingly.

In other words, that if working-people spent less on intoxicating drink, gambling, and other forms of extravagance, instead of their reaping the financial benefit, the amount would be deducted from their wage remuneration.

The obvious reply to this is that the money saved would be required for better purposes than those upon which it is now being wasted, and that the increased physical health, peace of mind, and self-control which would result would create a demand for things appertaining to a higher standard of life, the satisfaction of which would be as equally recognised by employers.

Improvident Saving.—Of course, with saving as with lending, it may be provident or improvident, wise or unwise.

Under the latter category would come saving at the

expense of the necessities of life or for purposes of mere accumulation or hoarding.

Saving is good as a habit, but bad as a passion.

Some people swing like a pendulum from one extreme to the other, and seem incapable of understanding and practising the happy medium between extravagant wastefulness and cheese-paring meanness.

These are the sort who pinch and scrape to buy their own houses, and are then unlivable with.

They make an idol of thrift and worship it like a fetish, instead of recognising that it is simply concerned with one phase of our many-sided human life which may easily become sordid unless brightened by broad and generous education in other nobler tastes and interests.

True economy, as John Ruskin said, means " spending or saving money, time, or anything else to the best advantage."

Miserliness is, if anything, a more detestable vice than prodigality, and it is as better to live than to stint as to save than to waste.

Advantages of Saving.—But in view of the comparatively small amount which most would be able to gather together, it may be asked, " What advantage is gained by cultivating monetary carefulness, as distinguished from miserliness? "

To those who would otherwise go in for betting or drinking, it is obvious that advantage would accrue even if the cash diverted from these sources of domestic unhappiness, misery, degradation, and crime found its way down a drain.

But there are hosts of habitually unthrifty persons to whom this condemnation does not apply, and whose wastefulness takes a more innocent form. To such I would say, " Friends, carelessness in money matters means carelessness in many more important matters. It leads to slackness in most or all of the relationships of life."

" Don't claim credit for your free-and-easy financial methods. They represent weakness and muddling, and not strength of character and clear mindedness."

The man who has a few pounds at call is in an im-

mensely superior economic position than he who does not possess a cent.

To commence with, if he is thrown out of work, he does not need to take the first job which offers, irrespective of its suitability. He can afford to wait, and pick and choose a bit, without being worried at the prospect of a famine-stricken cupboard at home for his wife and youngsters. Friendly Society and Trade Union allowances are very useful, but those supplemented by a few pounds laid by in the bank are better.

The man who has a small sum to his credit can also maintain his self-respect, and apply with less timorousness and greater confidence for work than he who realises that refusal spells misery.

There are many other advantages in not living up to the hilt, financially.

Many a man has started a successful business career on his own account through forming the habit of saving.

He who denies himself small superfluities has wherewithal to enjoy and bestow more rational and substantial pleasures.

A more comfortable home, for instance, occasional presents for the " missis " and the kids, longer education for his children, money for a decent holiday in the country or at the seaside, gifts for those in need, and to help on social, religious, or political causes.

Thousands of men go on paying rent all their lives because they have neither the sense nor foresight to save the first £20, £30, or £40 necessary to pay as a deposit for the purchase of their dwelling houses.

If they had exercised this wise self-denial, in a few years (by paying only the original rent in addition) the place would have become their own, and constituted a self-earned old-age pension.

These are but a few of the many things which the saving of a little ready money would enable men to do, but it is as important to convert wives to a realisation of it as husbands. I have seen many instances of the beneficial influence of Co-operative Banks in this respect, and the contagiousness of the habit was illustrated at one of our Urban Banks by a boy who first opened a

deposit account for himself, then brought his father and mother to do likewise, and, not satisfied with that, finally persuaded his grandfather and grandmother to follow suit.

Whilst it is a most deplorable fact that the incomes of thousands of our fellow countrymen are not sufficient to preserve them from the horrors of material poverty, it is also true that thousands of others could make better provision than they do for the inevitable rainy day, and it is one of the objects of Co-operative Banks to influence and assist them to do so.

Educative Benefits.—Although the material advantages of People's Co-operative Banks, as set forth in the preceding pages, are so great, it is their educative benefits which appeal to me the most strongly.

I feel entitled to speak frankly on this subject because for more than half my life I have endeavoured to do all in my power to assist in lessening the line of cleavage between class and class, to work in friendly harmony with working-people, and to help in developing their great capacities for mutual self-help.

One of the greatest needs of working-people is a detailed knowledge of business methods and the cultivation of powers of applying them. They can never obtain these without practice.

Co-operative Banks are excellent training grounds of business habits and administrative ability.

Capitalism, which, it should always be remembered, has brought in its wake blessings as well as woes (including a higher standard of life and reasonable comfort for the masses), has also, in creating the factory, machine, and wage system, largely done away with the opportunities for exercising that individual skill and independent foresight which the small silk spinner, cotton weaver, stocking knitter, bootmaker, and other hand workers had to exhibit in earning their livelihood under the old conditions.

To quote an eminent writer's graphic summarisation of this aspect of the division of labour, the result has been such " that the modern ideal of a workman seems to be a man or a woman, or even girl or boy, without the knowledge of any handicraft, without any concep-

tion whatever of the industry he or she is employed in, who is only capable of making, all day long and for a whole life, the same infinitesimal part of something; who, from the age of thirteen to that of sixty, pushes the coal cart at a given spot of the mine, or makes the spring of a penknife, or the eighteenth part of a pin."

Now it is neither advisable nor possible to go back to "the hand-made period," but if working-men desire to be anything else but mechanical wheels in the economic machine, they must, by combination and business brotherhood, prove their ability to share in the direction and control of the new economic forces developed by Capitalism.

There is no good in asserting rights if you do not possess the capacity to utilise them. Privileges and responsibilities go together.

You cannot have the one without the other, and the creation of popular banks, managed by elected committees, is one of several means whereby workpeople's economic visions may be widened, and they may be trained to become useful members of local and other authorities, or co-directors with the present capitalists, in organising the national industries.

Co-operative Banks also exercise a specific moral influence upon their members.

They train men and women to save,

> "Not for to hide it in a hedge,
> Not for a train attendant,
> But for the glorious privilege
> Of being independent."

Even when they do not need to borrow for themselves, members of these societies have the satisfaction of helping those of their fellows who do require financial accommodation.

This is a form of practical brotherhood of more value than any amount of verbal denunciation of usury, or expressions of sympathy with its victims.

These individual moral and economic advantages, it is needless to say, re-act upon the nation, counteracting improvidence, poverty, and misery, and developing self-reliance, mutual help, industry, and increased prosperity.

CHAPTER VI

THE RISE AND SPREAD OF CO-OPERATIVE CREDIT

TO Germany belongs the credit of being the birthplace of People's Co-operative Banks, and the movement, which is said to have been inspired by the Scotch Banks' Cash-Credit System, still flourishes there more than anywhere else.

Origin and Progress.—It originated in the Westerwald about sixty years ago, and has not only covered the German Empire, but also spread to Italy, France, Austria-Hungary, Belgium (principally in the towns), Denmark, Holland, Switzerland, Sweden, and Russia (which in 1904 had 1,300 societies, with a membership of about 445,000), and Finland (which has over fifty Co-operative Banks).

Coming to the smaller States, there are over a thousand Urban and Rural Co-operative Banks in Roumania, some hundreds (principally Agricultural) in Servia and Bulgaria, also one or two in Greece, and a bunch of them in the Island of Cyprus.

Several Co-operative Banks have been established in Canada, and a considerable number have been formed for the benefit of the urban inhabitants of India and the small cultivators of that country, and of the Dutch Colony of Java. Japan also possesses some hundreds of Credit Societies.

Co-operative credit is now an authoritatively recognised part of the economic life of all Continental countries.

What is problematical with many of us in connection with it is axiomatical with them, and the net result has been to cause a steady diffusion of capital whereby usury has been lessened, and in some cases extirpated, productivity stimulated, honesty demon-

strated as an economic asset, ability encouraged, and trade improved.

Early Pioneers.—The pioneer of modern personal co-operative credit, as distinguished from other forms of the same principle with which this book is not concerned, was Herr Raiffeisen, whose first bank was formed in 1849, at Flammersfield, of which he was Burgomaster.

Nearly, if not quite, simultaneously, Herr Schulze-Delitzsch, an ex-Government official of scanty means living in the small German town of Delitzsch, established the first People's Bank of the large system which bears his name.

Raiffeisen Banks.—The former appears to have been animated mainly by moral considerations of intense sympathy with the victims of extreme poverty, and the latter with ideas of improved economic utility. The constitution and methods of the different classes of society which each established reflects this distinction.

This is why Raiffeisen Banks commend themselves to moral enthusiasts and religiously-minded men, whilst Schulze-Delitzsch Societies secure the approbation of those who are suspicious of any mixture of philanthropy with business.

Our Village Credit Societies, which I have described in Chapter III., are formed on the Raiffeisen model: Small areas; the enrolment, after careful selection, of a certain number of members of known honesty and industry; the individual and collective liability of these persons for the necessary working capital; no shares, or shares of merely nominal value, no division of dividends (not even the modest entrance fees of English Village Banks), all profits devoted to building up reserve funds, loans only granted for productive purposes, the careful supervision of their expenditure, and all services of officials granted gratuitously, except when a small honorarium is voted to the accountant, or secretary, as we would call him.

Each Raiffeisen Bank has (1) a General Meeting, (2) a Board of Directors (Committee), (3) an Executive Officer, (4) a Council of Supervision.

The first fixes rates of interest and elects the Direc-

tors, the second admits or rejects candidates for membership and decides all matters of management, the third carries out these instructions, the fourth exercises general control and makes a quarterly examination of the financial position, the value of each loan, and the solvency of borrowers and sureties.

It cannot be too strongly emphasised to those who are delighted with the simplicity and success of this brotherly system that its founder recognised the necessity of every society including amongst its members richer persons than the average peasant, so as to strengthen its economic security, and guide less educated people in methods of business management. As a matter of fact, I believe that these richer members are allowed the right of being in a majority on the Committees and Councils of Supervision of Raiffeisen Societies, a custom which has not been adopted in this country.

The headquarters of the Raiffeisen Union are at Neuwied on the Rhine (General Administrative Union of Rural Co-operative Societies in Germany).

Schulze - Delitzsch Banks.—Our Town Co-operative Banks approximate more nearly to German Schulze-Delitzsch Banks, most of which are affiliated to the " General Federation of Productive and Distributive Co-operative Societies, based on Self Help," Berlin.

There are some constitutional differences between them, however, as a large proportion of the latter are worked on unlimited liability principles, and even the members of those formed on a limited liability basis are, under German law, responsible for more than their shareholding in the event of liquidation.

All raise their working capital by means of shares, which are paid up by instalments.

The shares of German societies of this type are larger than the modest 5s., 10s., and £1 ones of English People's Banks.

Originally they were of the value of £30, and the minimum is generally £5.

Their founder's idea was evidently to induce members to subscribe to a system which combined compulsory saving and mutual credit.

The result has been to make the banks of more service to middle-class people than those of the working-class.

Schulze-Delitzsch Banks have proved economically helpful to small traders in towns and a certain proportion of agriculturists.

The purposes for which loans are required are generally not inquired into, and the largeness of their membership and area of operations prevents that intimate knowledge of personal character and ability between the members which is such a strong feature of the Raiffeisen system.

The business of these banks is managed by a Committee of three, persons elected by the members at the Annual General Meetings.

A Council of Control is also elected by the same body to supervise their operations.

The three Directors and any other officers required are paid a salary and commission, and the members of the Councils of Control are also generally remunerated according to the number of their attendances.

To sum up, whilst genuinely co-operative in character, the constitution of these societies is less fraternal and more commercial than the other type, and has consequently not exercised a similar educative influence upon their members.

Haas Banks.—Another extensive class of German Co-operative Banks, not so well known amongst the English students of the subject, is the one founded by Herr Haas, formerly of Offenbach, now of Darmstadt. His Association, which includes mutual trading as well as banking, is called the Imperial Union of Agricultural Co-operative Societies.

Their general aim is to unite the advantages contained in the other systems, discarding what may be termed the extreme orthodoxy of Raiffeisenism, whilst restraining the inclination towards the commercialism of Schulze-Delitzschism.

The ingenuity of the German mind in connection with banking is illustrated by the "proportionate liability" of this system, introduced as a compromise between "limited" and "unlimited" liability.

The method is for each shareholder to be responsible, in addition to the amount of his share, for a fixed guarantee, *e.g.* £1 shares with 20s. guarantee, £5 shares with £5 or more guarantee, and so on.

The reader will recognise that the object of this arrangement is to increase the security for any credit obtained from outside private individuals or bankers, without involving the members in absolute unlimited liability.

Other Varieties of Banks.—There are many variations of these three principal types of German Co-operative Credit Societies, such as those associated in the Union of Credit Societies of Würtemberg and the Union of Polish Co-operative Societies of Prussia, and other Unions which I cannot deal with for lack of space. I have lively recollections of my attendance at an International Congress of Popular Credit at Paris, to which I had the honour of being invited to contribute a paper on the efforts being made to popularise Co-operative Banks in this country, when exponents of the various systems championed most enthusiastically the special features of the class of Co-operative Credit Societies which they represented.

Some Statistics.—An idea may be formed of the spread of the movement in Germany by the quotation of a few statistics regarding the membership and financial operations of the three classes of Co-operative Banks mentioned.

Before embarking on the stormy sea of statistics, I must say that, whilst I have taken trouble to ascertain that my figures throughout are correct, my work does not profess to be a statistical survey of Co-operative Banking (gladly as I would undertake such a task if opportunity offered), but simply a popular exposition of the subject, illustrated by occasional statistics from reliable sources. Unfortunately there are discrepancies in this respect between authorities, and when I have come across these I have had to make the best of them and state the facts as approximately as possible.

In 1903 there were 3,982 Credit Societies in the Raiffeisen organisation, with a membership of 310,676 (one German authority gives it as 288,040).

During the same year the turnover of the Neuwied Central Bank in connection with the movement amounted to £15,350,000.

This by no means represented the full volume of German Raiffeisen Societies' business during that period, as much of it was transacted apart from the Central Bank.

The General Union of the Credit Societies of the Schulze-Delitzsch type, on January 1st, 1903, comprised 27 Credit Federations, having 960 affiliated Banks and a membership of 542,108.

Statistics furnished by 904 of these showed that during 1902 they granted loans and renewals of loans to the amount of £124,921,874.

The Haas Banks granted credits during 1903 to the amount of £14,253,049. On January 1st, 1904, the number of Credit Societies in membership with the Banking Centres within their " Imperial Union " was 5,528, and in the Central Banks not within the " Union " over 2,000.

This short statistical reference, which is by no means exhaustive, accounts for more than 10,000 German Co-operative Credit Banks and transactions of over £150,000,000 per annum. The number of Credit Societies of all kinds in Germany was (in 1903) 11,760, and the membership of the movement there will now be not far short of 2,000,000 individuals.

It is obvious that the huge turnover referred to must include a large number of transactions with co-operative agricultural and industrial trading societies, consisting of middle-class people, in addition to small farmers, peasants, and artisans.

But when all deductions on these accounts have been made, it still remains a striking and exemplary fact, worthy of our emulation, that our German cousins have energised so extensively and successfully in creating such a marvellous system of personal Co-operative credit for the use of those capable of being benefited thereby.

Italian, French, Austro-Hungarian and Other Banks. —The counterpart of Schulze-Delitzsch Banks in Italy are "The People's Banks," inaugurated in 1864 by the

Hon. L. Luzzatti (the well-known Minister of Finance), and of Raiffeisen Banks the "Co-operative Agricultural Loan Banks," started by Dr. Wollemborg in 1883, both of which have spread most extensively and become the means of circulating millions of pounds per annum.

It is very difficult to quote definite statistics regarding them, but the number of People's Banks of the Luzzatti type, including the huge Banca Popolare of Milan (which has an enormous turnover and deserves much more than this casual notice), was stated in a Government Return for 1902 as 736, the membership of which may be estimated to have been about 400,000 and the capital not less than £4,500,000. There were also at that time about 1,187 Village Banks (Casse Rurali), with, say, 100,000 members.

There are a large number of specifically Roman Catholic ones amongst the latter, the present Pope, I believe, having been amongst the most active promoters and supporters of those established through, and controlled by, clerical influence.

The Italian People's Banks (upon which the English Town Co-operative Banks are modelled) are, however, founded on limited liability, are managed by honorary Committees instead of paid Directors, and small shares have been substituted for the larger shares of the German system which they have taken as their type.

The number of Co-operative Credit Societies in France in 1903 was officially reported to be 1,037, consisting of 409 small Village Raiffeisen Banks affiliated to the "Union des Caisses Rurales" of Lyons, 305 (of which seven were Town Banks) connected with the "Centre fédératif du Credit populaire" at Marseilles, 273 (19 in towns) independent Credit Societies, and the balance Regional Banks (Caisses régionales de Crédit), established for the purpose of distributing and supervising the State loans described in my chapter on State Aid. These Regional Banks are self-governing bodies, formed by private individuals, and supervised by the State.

Mention should also be made of the Co-operative Productive Bank of Paris (Banque Co-opérative des

Associations Ouvrières), founded some twelve years since by gifts of one person, amounting to £20,000.

Its principal business consists in the discounting of bills of French Co-operative Productive Societies to the extent of over £1,000,000 per annum.

In Austria, at the beginning of 1904, there were, besides a number of Schulze-Delitzsch Banks, 3,908 Raiffeisen Credit Societies, and in Hungary nearly 2,000 Credit Societies (agricultural and industrial), having a yearly turnover of about £3,000,000, affiliated to the Hungarian Central Credit Association, one of the objects of which has been described as " to re-animate small industries which had almost disappeared under the stress of competition with large factories and with Lancashire mills."

I must refer those desirous of further studying the ramifications of the Co-operative Banks Movement on the Continent and the details of their operations to the bibliographic note at the end of this book.

The minor differences in the constitution and regulations of the various societies and unions remind me more of the distinctions round which raged the interminable controversies of ancient ecclesiastical history than anything else I can think of.

An account of the progress of the movement in the British Isles is reserved for a separate chapter.

Rates of Interest on Loans.—I will conclude this chapter with a few remarks on the important question of the rates of interest at which (with the assistance of their Central Banks and the various forms of State-aid explained in the next two chapters) local banks are able to lend to their individual members.

In the first place I must confess that my information on this point is not as explicit as I should like.

It is self-evident that Raiffeisen Societies, on account of their small size, absence of share capital, and non-payment of Directors, can disburse credit cheaper than banks organised on other lines.

We are told in general terms that the interest charged to their members is " about 5 per cent."

According to my information, the Raiffeisen Central Bank charges societies at least 4 per cent. and a small

commission, and under these circumstances it is difficult to see how they can meet even their small expenses of administration, provide for the occasional bad debts which must occur, and create reserve funds unless they charge their members in normal times at least 6 per cent.*

Schulze-Delitzsch Banks charged for loans in their early days as much as 14 or 15 per cent., but this was reduced a few years ago to 8 per cent., and afterwards, according to a leading authority, to from 5 to 5½ per cent.

After making full allowance for their larger and quicker turnover, the growth of their reserves, the limitation of members' credit to a small percentage of the amount of their property (gleaned from Government Returns), it seems as if this must have been an unintentional understatement. When it is remembered that their officers are paid both salary and commission, that something, at all events, must be allowed for bad debts, however carefully they are conducted, and that a dividend of at least 5 per cent. (oftentimes more) is paid upon their share capital, I am inclined to feel certain that, whatever may be the case with the money they lend on mortgage, considerably more than 5½ per cent. must of necessity be charged, even in normal times, for loans on personal security (bills and promissory notes) only.

The same applies to the societies in the Haas Union, whose Central Banks are financed through the Prussian Central State Bank.

In 1904 the latter's rate for deposits ruled generally between 3 and 4 per cent., and for loans from 4 to 5 per cent., with a small commission added.

It is obvious that, after adding the administrative expenses of District Central Banks and local Co-operative Credit Associations, much more than 5 per cent. would have to be paid by borrowers.

* Mr. H. de F. Montgomery, writing in 1903, when the Neuwied Central Bank charged 4 per cent. and a commission of 1/16 per cent. to Raiffeisen Societies for advances, stated specifically that the commonest rate which they on their part charged to their members was 4½ per cent. and a small commission, though 5 per cent. was not unusual.

In Austria and Hungary local Credit societies apparently have to pay from 3½ to 4 per cent., or even more, for advances from their State-supported Central Banks, and I have heard of them charging from 7 to 8 per cent. for loans to their members, which is not at all excessive for small advances on personal security, involving considerable administrative expenses of inquiry and supervision.

Even in France, where money is lent under the auspices of the State to Regional Banks free of interest, the rate which they charge to local banks is 3 per cent. If they were to lend money for less, members of Credit societies would doubtless obtain advances from them and deposit the money at a profit in the Savings Banks.

The general conclusions which I have arrived at on the circumstantial evidence set forth is that when the State advances money free of interest to Central Banks, they can lend to local Credit societies at 3 per cent., and the latter can make loans to their members at 5 per cent.; but when local societies have to pay 4 per cent. for their money, they must charge more than 5 per cent. to their members, unless their expenses are practically nil; and in the case of Town Banks, with their greater expenses and more difficult inquiries as to the status of borrowers and sureties, 7 or 8 per cent.

It should be borne in mind that Central Credit Banks receiving Government assistance not only discount the bills and promissory notes of local Co-operative Banks, but also act at considerable expense as organisers, instructors, advisers, and supervisors of these local Credit societies.

SUPPLEMENTARY NOTE

Colonial and Egyptian Agricultural Credit, and American Co-operative Loan Associations.—I add this note principally for the information of those wishing to be informed of the progress, if any, of Personal Co-operative Credit in the British Colonies.

A law was passed in 1898 for the establishment of Agricultural Credit Associations in British Columbia,

based partly on Raiffeisen and partly on Schulze-Delitzsch pinciples, for making loans to their members "for draining, clearing, or cultivating their lands; for fencing or buildings, or for the purchase of live stock, implements, and other farming effects, and to assist in co-operative dairying and farming."

No dividends were to be paid on their shares, and they were authorised to raise money by loans or debentures, bearing not more than 6 per cent. interest, to an amount not exceeding two-thirds of their share capital, and to receive money on deposit from their members.

Power was also given for the Government to guarantee the payment of the debentures of such Associations, or to advance money to them.

Apart from this, I only know of two or three societies founded in the Dominion of Canada through the efforts of a French-Canadian M.P.

Efforts have been made to promote them for peasant proprietors in the West Indies, and the Imperial Department of Agriculture there issued a small pamphlet on the subject in 1905, entitled "Information in regard to Agricultural Banks," which included a paper on "Rural Agricultural Banks for British Guiana."

The Agricultural Banks of Queensland, Western Australia, and South Australia are Government institutions—practically official Land Mortgage Banks—for making loans to settlers on the security of their proprietary holdings, like the Government Board of New South Wales, the New Zealand Advances to Settlers Office, and the Savings Banks Commissioners of Victoria, who have powers to invest their surplus funds in this way.

The interest charged varies from 4 per cent. to 5 per cent., the security is absolute, and many millions of pounds have been lent on terms of repayment ranging from ten to twenty years or more.

An Act has recently been passed by the Cape of Good Hope Parliament for establishing a Government Agricultural Credit Bank to which £1,000,000 may be advanced from the funds of the Post Office Savings Bank at not more than 4 per cent. interest. The Natal and the Transvaal Governments have also recently

passed Acts enabling them to make loans to agriculturists.

Another institution which is sometimes mistaken for a Co-operative Bank is the Agricultural Bank of Egypt.

It would be interesting, did space permit, to give an account of the great and beneficent work which it has accomplished in granting credit to tens of thousands of small farmers in that land of usury.

But, so far from being a Co-operative concern, it is a Joint Stock Company with a capital of £2,500,000, a dividend of 3 per cent. upon which is guaranteed by the Egyptian Government.

I have not heard of the existence of any Co-operative People's Banks in the United States.

There are in that country several thousands of societies known as "Co-operative Savings and Loan Associations" or "Mutual Savings and Loan Associations," which have many points in common with the Co-operative Banks movement, but they are practically Co-operative Building Societies.

CHAPTER VII

CONTINENTAL METHODS OF CENTRAL BANKING

A VOLUME could well be devoted to the description and consideration of Continental methods of Central Banking, of which I can only give a *résumé* in this chapter.

The need for Central Banks.—The growth of the Co-operative Banks movement demonstrated the necessity for Central Banks to deal with the surplus funds of local societies and supplement their working capital with advances from time to time.

One of the first questions of those invited to form small Co-operative Banks in this country is, generally, "What shall we do with deposits if they are more than the amount required for advances?" or, "How shall we repay deposits if they are asked for before we receive the return of our advances?"

Sometimes there is a surplus of money in certain districts and a scarcity in others; in some seasons of the year money is specially needed for investment in agricultural and other directions; at others, such as after the harvest, it returns into the hands of producers.

The object of Central Banks is to satisfactorily adjust these conditions.

Central Bank of Co-operative Agricultural Banks of Germany.—The Report of the proceedings of the Sixth International Co-operative Congress, held at Budapest in 1894, contains an excellent account of the history, organisation, and methods of this Central Bank of the Raiffeisen Union in Germany, and forms the basis of my summary.

After earlier efforts in this direction it was established at Neuwied in 1876.

Constitution.—Though purely co-operative in character—confining its shareholding membership to Co-

operative Societies belonging to the General Union of Rural Co-operative Societies in Germany (submitting their affairs to the Bank's inspection) and to another class of Co-operative Agricultural Association—it was, for reasons of convenience, registered as a Joint Stock Company.

Its original Share Capital was £12,500—but this has since been raised to £500,000—divided into shares of £50 each, which may not be dealt with in the open market, and can only be transferred with the consent of the Board of Directors.

Its management is in the hands of—

(*a*) The General Meeting, which elects the Directors (each to hold office for five years) from candidates nominated by the several District Unions, and also decides upon the employment of surplus funds, the exact rate of dividend, and any alterations of the Rules.

(*b*) The Board of Directors. Every district in which there is a branch bank has two or more representatives on the Board of the Neuwied Central Bank, who are elected by the General Meeting from twice the number of nominated candidates as there are vacancies.

The Board elects its own Chairman and first and second Deputy-Chairman.

Every district has also its own Advisory Board, composed of all members proposed for election on the Board of Directors, *some honorary representatives*, the Chairman of the district, who presides, and his fellow members on the local Committee of Management.

In addition to this Advisory Board every district has its Sectional Committee, composed of the managing directors of the Sub-sections, or where there are none, of the representatives of societies, of the Advisory Board, and of the Director of the local Committee of Management, who acts as Chairman.

(*c*) The Committee of Management of the Bank, which conducts its business, subject to the General Meeting, is composed of the Director-General and the Managing Directors of the branch banks.

The former is nominated by the Board of Directors, who also elect the branch Directors after hearing the

opinion of the Committee of Management and Advisory Board of Directors of each district concerned.

So much for the scientific construction of the edifice.

Methods of Business.—The funds required are provided by Share Capital, Deposits and Loans, Commission and Interest, proceeds of the Sale of Goods (the Bank has a Trading Department), Bonds and Debentures.

They are employed in advances to societies, to branch banks for the same purpose, in the Trading Department, for discounting bills (in accordance with the principles laid down by the Prussian Central State Bank and the Imperial Bank), for the purchase or repayment of mortgages, for the acquisition of land and buildings for the use of the Central Bank, for the purchase of bonds, etc., for management expenses and dividend.

Profits.—Twenty per cent. of net profits and any balance remaining after payment of dividend are carried to the Reserve Fund.

A dividend of not more than 4 per cent. on money actually paid up is allowed to shareholders, and an extra dividend may be declared by the Committee of the District out of profits made therein.

Regulation of Personal Credit.—The business between the Bank and its shareholding societies is conducted exclusively by the branch banks in their districts, on the basis of a return made by every society showing the collective property of its members.

In countries in which a supplementary income tax is levied, the names of members of societies paying it are required.

In other countries the names of members, together with a valuation of their properties made by the Managing Committees of Societies, is accepted.

On the basis of these valuations, Managing Directors of the branch banks are empowered to credit local societies up to 10 per cent. of the property of their members declared in the Income Tax assessment, and 5 per cent. in the other case.

Decisions as to further credit rest with the Central Board of Directors.

Credit valuations have to be renewed every year, and for every £250 of credit claimed societies are required to take up one share in the Central Bank.

Important German Safeguards.—The facility of ascertaining the "property" of members of German Co-operative Banks is often overlooked or ignored by students of Co-operative Credit.

Whatever opinion we may have about it, it undoubtedly is an exceptionally strong safeguard against losses.

Under English law, as is well known, individuals are not required to inform the State of the amount of their property, and incomes of less than £160 are untaxed. In Germany all classes have to declare their property and all incomes are taxed, and the official returns can—in Prussia, at all events—be consulted by Central Banks under a special order of the Minister of Finance.

In the extremely improbable event of our law being conformed to that of Germany, the inspection of the returns by the conductors of Co-operative Banks or any other private individuals would not be likely to be tolerated.

Another safeguard which does not prevail in Great Britain and Ireland is that under German law every change in the composition of Committees of Societies has to be communicated to a law court, and is advertised in the official Gazette. Then limited liability with us means liability limited to the exact amount of the shares subscribed for, whereas in Germany shares in Co-operative Societies involve an additional liability in the event of liquidation.

Other precautions of safety are set forth in the section of the next chapter dealing with Methods of Supervision.

It is obvious that it is necessary, somehow or other, to ascertain the extent to which societies may be safely entrusted by Central Banks if they are to utilise their funds wisely.

Relationship to Prussian State Bank.—When a branch bank of the Raiffeisen Union requires funds, it telegraphs to the Central Bank at Neuwied, which assigns it the amount, at its banking account with the

Prussian Central State Bank, which is described in the next chapter.

Surplus cash held by the branches is also paid into the Central State Bank to the credit of the Central Bank.

The branch banks make a daily report to the Central Bank on the state of their accounts, besides rendering a monthly report, which includes a record of all changes which may have taken place in the credit valuations of societies.

Neuwied Statistics.—The statistics of the Neuwied Central Bank for the year 1903 speak for themselves.

Number of Local Banks.	*Number of Shares taken up.*	*Money paid up on same in Marks.*
3,675.	8,200.	8,175,000.

Share Dividend.	*Interest on Deposits.*	*Interest on Advances.*	*Commission Charged.*
3 per cent.	$3\frac{1}{2}$ per cent.	4 per cent.	$\frac{1}{16}$ per cent.

The following figures refer to Marks, the equivalent of which in pounds sterling can be ascertained by dividing them by twenty.

Turnover, M. 307,000,000; *Profits*, M. 240,748; *Assets at end of year*, M. 64,812,057; *Reserve Capital*, M. 480,970; *Liabilities*, M. 64,571,309.

The German Co-operative Societies' Bank and the Dresdner Bank.—Schulze-Delitzsch Societies endeavoured at first to balance their financial necessities by the agency of a Central Committee.

Their founder was opposed to the idea of a Central Bank similar to the one which has just been described.

As has been previously stated, he was more of a Co-operative business man than an idealist, which accounts for the otherwise extraordinary fact that he was a consistent opponent (some say persecutor) of Raiffeisen all his life.

He therefore made many efforts to induce ordinary banking institutions to trade with Co-operative Banks, and ultimately, in 1864, concluded an arrangement with a private firm of bankers to conduct the German Co-operative Societies' Bank, to receive deposits from



Co-operative Banks on business terms, and open credits with them on the Scotch "cash credit" system, that is, subject to adequate guarantees being received.

Private shareholders as well as Co-operative Societies held shares, and business was done with individuals besides associations.

In 1871 a branch bank, with a Board of Directors of its own and separate Reserve Fund, was opened at Frankfort.

Berlin and Frankfort Statistics.—The following statistics for the year 1903 show the great value which it proved to Co-operative banking:—

The first lines of figures, which are in Marks, refer to the head office at Berlin, and the second to the branch at Frankfort.

Share Capital.	*Total Business with Co-operative Credit Societies.*
M. 20,000,000.	M. 339,331,000.
M. 10,000,000.	M. 209,955,413.

Balances at Close of Year.

Credit of Credit Societies.	*Debit of Credit Societies.*
M. 7,344,614.	M. 6,214,446.
M. 1,635,620.	M. 4,426,984.

Bills of Exchange held for Co-operative Credit Societies.	*Debit of Co-operative Credit Societies in Current Account and in Discounts.*
M. 6,109,304.	M. 12,323,750.
M. 1,423,903.	M. 5,850,887.

For reasons too lengthy and complex for summary explanation, it was decided to accept an opportunity of amalgamating on satisfactory terms with the successful and financially strong Dresdner Bank, which had a reputation of forty years for studying the interests of its clients rather than for seeking to pay high dividends, and which arranged to transact the business of Schulze-Delitzsch Co-operative Credit Societies cheaply and efficiently.

The Central Bank of the Darmstadt Union.—A Central Bank for the Haas Societies was established at Darmstadt in 1883, which, like the Neuwied Central Bank, is a Joint Stock Company.

It serves 21 Provincial Central Banks, having an aggregate membership of over 5,000 Co-operative Societies, and is backed up by the Prussian Central State Bank.

Other Continental Central Banks.—Amongst other German Central Banks I might mention those at Munster, Cologne, Stuttgart, Trier, Berlin, Wachenheim, which have a membership of over 2,000 smaller Credit Banks.

Lack of space forbids more than a reference to other Central Co-operative Banks in various Continental countries, including the Central Co-operative Bank of Upper Austria, the Central Co-operative Bank of Lower Austria (which has a membership of over 500 Credit Societies), the Hungarian National Central Credit Bank, established in 1898 (which had in 1903 a membership of 1,653 Co-operative Societies, nearly all Credit Banks), the Central Credit Society of the Belgian "Boerenbond," and other Central Banks in that country; the Roumanian Central Co-operative Bank, which is a Government institution; and the Central Bank of Agricultural Credit Societies in Finland.

There are no Central Co-operative Banks in France on the German model, but there are about fifty Regional Banks, which make advances and discount the bills of local agricultural Credit Societies, generally at 3 per cent. per annum, out of the large sums placed at their disposal for this purpose, free of interest, by the Bank of France. I am also unaware of any in Italy, but in that country People's Town Banks finance Village Credit Societies, and Co-operative Banks are assisted with advances at a low rate of interest from the Savings Banks.

Italian Savings Banks, unlike ours, circulate a large proportion of their funds in the districts from which they are collected, by means of loans to individuals and Co-operative Credit Societies.

The social student will find a good deal of useful information about them in Mr. Bolton King's book, mentioned in my Bibliographic Note.

CHAPTER VIII

STATE-AID AND SUPERVISION

THE original idea of the early leaders of Co-operative Banking was independent self-help.

All that they desired from the State was "a fair field and no favour."

They objected, and rightly so, to legal hindrances to associated effort, and sought from time to time that their exertions for the welfare of the community should be recognised in the framing of the laws—but that was all.

Two Schools of Thought.—Since the great success of German Co-operative Credit, however, there have been two schools of thought in the movement, one for and the other against State-aid.

The pros and cons of the question have been so ably dealt with elsewhere, especially at the Sixth International Co-operative Congress, held at Budapest in 1904 (the report of which is referred to in the previous chapter and in my Bibliographic Note), that it is not necessary to fully traverse them in a popular exposition of this kind, dealing mainly with the movement in the United Kingdom and Ireland.

English State Aid.—The provisions of the recently passed Small Holdings and Allotments Act (summarised in Chapter IX.), however, bring them within the range of our practical politics.

It is also not generally known that for some years past Irish Agricultural Banks have been financed to a certain extent by the Irish Department of Agriculture and the Congested Districts Board.

The former body has allocated £10,000 for lending to approved Agricultural Banks in sums of from £25 to £100, at 3 per cent. interest, and also contributes

towards the expenses of the Credit Bank organisers employed by the Irish Agricultural Organisation Society.

The latter has lent several thousand pounds to Agricultural Banks in the Congested Districts Board at 2½ and 3 per cent. interest.

The Indian Government also advances small sums on well-defined lines to Credit Societies in the Dependency.

Arguments against State Aid.—Apart from objecting to State-help (as distinguished from recognition and educative support) on principle, as tending to the weakening rather than the strengthening of character and the putting of burdens on neighbours (some of whom can ill afford it) for the personal benefit of others who might be competing with them, and making a political question of economic problems, its opponents have advanced several objections against it.

They assert that it is generally abused—that credit so easily obtained is too readily granted, with the consequence that it induces unnecessary borrowing, that it is often frittered away rather than husbanded, and therefore results in losses to individuals and societies which would not otherwise have been incurred.

Arguments for State Aid.—On the other hand, its supporters claim that the diffusion of cheap credit in both town and country districts is of such immense social utility in counteracting usury, encouraging industry, and in increasing production, and so beyond the power of private capitalists, that, in the interests of the whole community the State should support it, even if occasional losses result.

The moderate believers in State-aid agree that it should not be given to the injury of any other interests entitled to consideration, that it should not degenerate into permanent assistance, nor subordinate its form to political considerations.

My personal views are indicated in my reference to the Small Holdings and Allotments Act. Like most Englishmen, I have a strong predilection for self-help, but I also think that those endowed with greater means and leisure should interest themselves in promoting it,

and that if they neglect to do so that some form of State-aid is inevitable.

Continental State Aid.—Without attempting to dogmatise on these points, however, I will simply state a few of the multitudinous facts regarding the growth of various forms of State-help.

Continental countries aid Co-operative Banks and other agricultural and industrial organisations in several ways, such as exempting them from stamp duties and taxes on deposits, paying the expenses of organisation and, in some cases, management, making advances to them, generally through their Central Banks, at 4, 3, and 2½ per cent. interest, and sometimes without charging any interest whatever.

The repayment of these loans is spread over a considerable time—five, ten, and twenty years.

In **Germany** the Imperial Bank (the counterpart of our Bank of England) has assisted them, and the **Central State Bank of Prussia** was established at Berlin in 1895 as a central institution for credit banking operations in the interests of Co-operative Societies in Prussia.

The State placed £250,000 at its disposal for working capital, which was increased to £1,000,000 in 1896 and to £2,500,000 in 1898.

The President of this Bank has stated its objects so clearly that I cannot do better than quote his own words, which are as follows:—

"Its object is of a social economic character, namely, to promote and strengthen personal credit for the benefit of the humbler and middle classes, who, being themselves only sparingly endowed with capital, contribute to the production of wealth in the main by their own personal labour. Up to the time of the creation of the Prussian Central State Bank those classes, no matter whether industrial or agricultural in their occupation, had no organised personal credit to fall back upon at a moderate rate of interest and adapted to their particular circumstances, or else a credit only within very narrow limits."

"Only by means of co-operation can the capacity for credit and the deservingness of credit of the individual be measured and converted, on a sufficiently large scale, into an economic value capable of being pledged."

"The Prussian Central State Bank was formed to bridge over the existing chasm and bring demand and supply together by

interposing between them a powerful institution which, having no selfish interest of gain or profit to study, might be employed to satisfy the needs of personal credit on reasonable conditions in the case of the lower and middle classes, united for productive purposes in Co-operative Societies, and at the same time to serve as a convenient Central Money Office, in which demand for and supply of funds might be brought into direct contact and made to balance one another by taking from the one and filling into the other, while, in the last place, opening a channel with the great outside working market."

In 1894 this Government institution was in business relationship with 52 District Unions and Central Banks of Co-operative Societies, representing collectively 5,438 individual societies and 528,148 individual members.

Of the 52 Central Banks 19 were mainly "urban" or "industrial" (Artisans' Societies, etc.) and 33 mainly rural and agricultural.

In 1903 the money paid out to Central Banks on current account amounted, on an average, to £47,550 per working day and the money coming in from them to £47,350.

The interest charged to them has averaged 2¾ per cent. on overdrafts and 3½ per cent. on debit balances.

Austria-Hungary, mainly by the agency of local Governments, has probably done more to foster Co-operative Banking for both town and country purposes than any other State, and people of all classes now join in helping the movement forward. It has defrayed the expenses of forming and subsidising Credit Banks, granted loans free of interest in some cases and at 3 and 3½ per cent. in others, also exemptions and reductions in respect of certain taxes and fees, besides establishing travelling studentships and paying the expenses of itinerant teachers and organisers amongst the various races and nationalities of the Empire.

The Central Bank of Upper Austria has received an annual subsidy from the Diet, and that of Lower Austria has had Government grants, while both have been assisted with Government loans.

The Hungarian National Credit Association is strongly supported by the State, which contributed 1,000,000 crowns (about £40,000) to its foundation

capital and guarantees any deficit occurring by the income not meeting the expenditure out of the interest accruing on the bonds held by the State, and if this is insufficient making up the difference to the extent of 100,000 crowns in one year.

The Central Credit Association and its affiliated societies are exempted from fees and taxes.

The claims of the latter against their members also rank in priority of other claims, just as the Central Association's claims rank against them.

In **France** the State affords very substantial assistance to Co-operative credit through the Regional Banks previously referred to.

In 1899 the Bank of France was required, as a condition of the renewal of its charter, to lend 40,000,000 francs, free of interest, for the benefit of agricultural Co-operative credit and to contribute a proportion of its annual profits for the same purpose.

A special committee connected with the Ministry of Agriculture controls this department of State-aid.

The French Government also makes loans, free of charge, to the Co-operative Bank of Productive Working-men Societies, conditionally upon its lending them out to Co-operative Productive Societies at not more than 2 per cent. per annum and for not more than five years.

German and Other Methods of Supervision.—The necessity for the adequate supervision of the network of Co-operative credit originated by private effort and since largely aided by Imperial Governments and Local Diets soon became apparent.

To start financial Co-operative Societies all over the place and then leave them to shift for themselves is a sure road to disaster and discredit.

Foreign Governments have instituted various methods of supervision.

In Germany, for instance, the law relating to Co-operation provides for every society submitting at least once every two years to a complete inspection not only of its accounts, but also its methods of doing business, by a person unconnected with it.

It is worthy of note that this compulsory regular

inspection is equivalent to the inspection of the affairs of an English registered society by the Chief Registrar upon the application of one-tenth of its members, provided for by Section 50 of the Industrial and Provident Societies Act, which can only be put into operation in cases of complaint and dissatisfaction.

This inspection and audit is delegated to the Unions to which most of the societies belong, and in the case of unconnected societies devolves upon a person approved by the chief legal tribunal of the district, who carries it out at a nominal charge.

As a matter of fact, the aim of all the Unions is to provide a revision of their affiliated societies every year.

In contrast to the work of English and Irish Central Associations (which is the organisation of new banks), this is now the principal work of the German Central Associations, which are supported by annual fees from local societies and grants from Central Banks.

Our German friends systematise their audit inspection as follows:—

1. The Councils of Control of Local Societies supervise the operations of their Executive Committees and the audits of their officers' accounts.

2. The Central Unions, by means of Audit Inspectors, examine the books and check their supervision.

3. The General Unions revise the accounts and conduct of the Central Unions.

In Austria there is a similar law concerning compulsory supervision, much of which is undertaken by the large Unions, whose management expenses are defrayed partly by State grants and partly by contributions from local societies.

In Hungary, under the law of 1898, Co-operative Societies may only be formed subject to the approval of the authorities or some recognised institution or society, or with the co-operation of the National Central Credit Association. They are also restricted to well-defined areas, interest on capital is limited to 5 per cent., and members' liability is extended to five or ten times the value of their shareholding.

The Central Credit Association, which is also the Central Bank, is entitled to appoint one member of the

Council of Control and one on the Executive Committee of each society affiliated to it, and to supervise and direct its business.

The Central Association is supervised and controlled by the Government, which nominates two members of its Executive Committee, while the King, on the recommendation of the Minister of Finance, appoints its President, and its two Vice-Presidents are appointed by the Minister of Commerce and the Minister of Agriculture.

CHAPTER IX

PROGRESS OF THE MOVEMENT IN THE BRITISH ISLES

A SHORT account of the progress of the Co-operative Banks movement in this country may not be out of place.

Early Difficulties.—We are, as a nation, notoriously slow in adopting new ideas.

The British working-man, no less than the British manufacturer and farmer, loves the old ways.

When new methods are commended to him to meet the necessities of new times, the former is apt to say, "Yes! it sounds very well on paper, but how would it work in practice?"

This makes the work of the promoters of new ideas, however sound, particularly difficult, because until someone adopts them it is obviously impossible to quote concrete examples of their working.

Fortunately, as a compensation for this innate conservatism of mind (which is a feature of all classes) when fresh ideas are adopted, as great tenacity of purpose is exhibited in working them as was previously expended in resisting their introduction.

The home of Co-operative credit and the scene of its greatest triumphs being Germany, was quite sufficient to lead many British workers to say or think, "It may be all right for them furriners, but it 'ud never work in this 'ere country."

Much headway has been made since those days, but rapid progress is not anticipated until there are practical examples of People's Co-operative Banks in every county throughout the land.

The Agricultural Banks Association.—The first association in England for promoting Co-operative

Banks was the Agricultural Banks Association, founded in 1893, which in the course of its short existence formed Agricultural Credit Societies in several counties.

The Toynbee Town Banks Committee.—In 1898 a Conference was held at Toynbee Hall, Whitechapel, which resulted in the formation of the Toynbee Town Banks Committee, with the object of establishing Co-operative Banks in our Town Districts.

The Co-operative Banks Association.—At a Conference in the Westminster Palace Hotel in 1899, attended by representatives of both these bodies, it was decided to amalgamate them under the title of the Co-operative Banks Association.

This association was instrumental in forming a number of additional Village Credit Societies and several Town Co-operative Banks in the Metropolis and the Provinces.

It could have produced ten times better results if the financial support accorded to it had been more adequate.

The banks themselves, after establishment, are entirely self-supporting, but their organisation involves expenses of one sort and another, in addition to a certain amount of supervision by the Central Association.

The principal work of the Co-operative Banks Association, however, was to create public interest in the movement, and this it succeeded in doing to a considerable extent.

The Agricultural Organisation Society's Co-operative Credit Department.—Ultimately it was decided in 1904 to amalgamate with the Agricultural Organisation Society, which established a Co-operative Credit Department, to which the affiliated Village Credit Societies were transferred.

The Urban Co-operative Banks Association.—For the purpose of assisting the existing Town Co-operative Banks with expert advice and guidance and extending this important side of the movement, the Town Co-operative Banks Committee, which existed during 1904, was formed, in 1905, into a new society entitled the Urban Co-operative Banks Association.

Summary of Progress in England.—Both the Urban Co-operative Banks Association and the Agricultural

Organisation Society have promoted the establishment of additional banks, and there are now societies affiliated to the former in Stepney, St. Pancras, Limehouse, Ratcliff, South Bermondsey, North Lambeth, two in Birmingham (Yardley and Saltley), and one at Blackburn, Hull, Chester, Hitchin, and Newport (Mon.), and to the latter at Scawby, Spalding, and Friskney (Lincs.), Wiggenhall and Whissonsett (Norfolk), Hedge End (Hants.), Castlemorton and Far Forest (Worcestershire), Freeby and Brookvale (Leicestershire), Clophill (Beds.), Barley (Herts.), and Mayland (Essex).

These twenty-six Urban and Rural Co-operative Banks, constituted on the lines described in this book, turn over several thousand pounds per annum.

Several other societies have been established, which in the interests of their members and the movement generally I regret to say are not affiliated to any Central Association.

Though the progress has been admittedly slow, it has been steady and persistent.

The ignorance surrounding the subject has been dispelled by the delivery of public addresses, the writing of articles for and letters to the Press, and the circulation of an immense number of explanatory pamphlets and leaflets.

People have now a good general idea of what Co-operative Banks are. Their aims and objects are theoretically approved by a large section of the public, the Press, and eminent publicists acquainted with social problems.

Now that there are this number of concrete examples of their adaptability to British conditions, there is every probability that they will multiply at a much greater rate, until the whole country is covered with a network of them, united by affiliation for general benefit, with district councils meeting annually in convenient centres, attended by delegates from the various local banks, for comparing notes on matters of general policy and detailed management.

Should this be so, our experience will be similar to that of Germany, where many years elapsed between the formation of the first and the second society, and

many more before the number of Co-operative Banks assumed large proportions.

Those of us who have been promoting Co-operative Credit have had to console ourselves for small initial results by this hope, and sustain our courage by realising that it is necessarily a slow process to educate men and women in any but the most elementary forms of mutual self-help.

The Small Holdings and Allotments Act, 1907.—There is one success, however, which we have achieved, and that is to impress the Government of the country with the importance and utility of Co-operative Credit.

Successive Presidents of the Board of Agriculture under both Conservative and Liberal Administrations have acknowledged the truth of our contentions, and this has culminated in the insertion of provisions in the Small Holdings and Allotments Act, 1907, whereby, amongst other things, County Councils may promote the extension of, and assist societies on a co-operative basis for, credit banking.

They may with the consent of, and subject to regulations made by, the Local Government Board make grants or advances to Co-operative Credit Societies, or guarantee advances made to them upon such terms and conditions as to rates of interest and repayment or otherwise, as they think fit.

Where the Board of Agriculture themselves provide Small Holdings under the provisions of the Act they may exercise similar powers.

Now whilst all of us appreciate the patriotic motives which animated the insertion of these clauses, many are inclined to be chary in availing themselves of their assistance for fear of their operating against the spirit of independent mutual self-help and prudent management, which is the dual basis of successful co-operative effort.

Economic Co-operation needs money, but that is not its greatest necessity. The object of Co-operation is to help people to help themselves, not to carry them on its back, or advance money without any security.

Its primal requisite is men and women willing to unite for mutual aid, and to voluntarily accept con-

ditions (including the provision of security and the acceptance of inspection and supervision) which will help them to earn an honest livelihood whilst precluding them from exploiting one another.

It is useless to impose Credit Societies upon any district where people of this type cannot be gathered together, and therefore those County Councils which decide to put these permissive powers into force will require to be very careful in responding to applications for their assistance in this direction.

Another clause of the Act, Section 39 (4), is quite free from these objections, and likely to be of the greatest assistance to the Co-operative Banks movement.

As it is a very short one I will quote it in full:

> "The Board (of Agriculture) with the consent of the Treasury may out of the Small Holdings Account make grants, upon such terms as the Board may determine, to any society having as its object or one of its objects the promotion of Co-operation in connection with the cultivation of small holdings or allotments."

The strongest co-operative opponent of State-help, in the ordinary acceptance of the term, can have no objection to properly constituted propaganda societies receiving Government support for educating people in improved economic methods which will add to the moral and material wealth of the nation.

Hitherto the preaching of co-operative credit, and the organisation and supervision of banks in English urban and rural areas, has been carried on in a spasmodic and unsystematic, and therefore comparatively ineffective, manner, mainly because it has depended entirely upon voluntary subscriptions, which have never been sufficient—and a large amount of the energy of experts, which could have been much better utilised in promoting this form of self-help, has been occupied in trying to raise the funds from private sources.

In future—at all events so far as rural and urban areas containing allotments and small holdings are concerned—it will be different, as under the clause in question a proportion of the cost of education and supervision will be borne by the State—in the shape of

subventions to such Central Societies as prove their claim to it.

The co-operative banks organised under their supervision will doubtless retain that self-supporting status necessary to bring home their responsibilities to their members, and to evoke that personal energy, enthusiasm, and careful management so essential for success.

Irish Agricultural Banks.—Much greater success has attended the efforts of the Irish Agricultural Organisation Society in forming Agricultural Credit Societies in the Sister Isle.

The first bank was established at Doneraile in 1895, and at the close of the year 1906 (during which fifteen new Agricultural Credit Societies were organised) there were over 240 in existence.

Their total membership was approximately 15,000, and 8,440 loans were granted, totalling over £50,000. Their capital consisted of local deposits amounting to £16,708, supplemented by loans from the Department of Agriculture, the Congested Districts Board, Joint Stock Banks, and other sources amounting to £29,672. Their expenses, apart from interest, only came to the ridiculously small sum of £275 14s. 1d., and their net profit to £550.

The latter sum merely represented the amount put towards their Reserve Funds, as they do not work for profit.

Their total reserve at the end of 1906 was £2,322.

The following additional facts regarding them may be of interest: Their membership during 1906 increased by about 2,000. Their increase in Loan Capital was £4,000 and in Deposits £4,000, and the number of their loans 1,000, and the total amount of advances £6,500. During 1907 the Department of Agriculture made use of the machinery of the Agricultural Banks for helping the members to procure supplies of good new potato seed. The seed was in most cases obtained on behalf of the members by a Sub-committee acting for the purpose, and, wherever necessary, loans to the extent of the seed required were advanced by the Bank to its members in the ordinary way.

This points to the probability that Credit Societies

in future will come to have additional uses of this character, which many of them possess on the Continent.

A Bill was introduced into Parliament last Session giving them trading powers, which has not yet become law.

Wales and Scotland.—The only Co-operative Bank in the Principality is the small one at Newport, Monmouthshire, which has been in existence since 1894, but for lack of local support has not succeeded as it was capable of doing.

No Agricultural Credit Societies have as yet been established in Wales, though I am convinced that if they were wisely and energetically organised there, they would multiply as in Ireland and bestow much benefit upon the small farmers and others in the Welsh country districts.

The movement has also not been introduced into Scotland, where the proverbial thriftiness of the people should lead it to flourish.

There is, however, a very excellent People's Bank at Edinburgh, formed on co-operative lines in 1889 with £1 shares, payable by instalments of half-a-crown.

It has power to lend to its members on personal security, having been originally established, in fact, for this purpose.

It has become, however, more of a Savings than a Trading Bank, and confines its advances or "investments" mainly to members to purchase their own dwelling-houses or "flats," which, according to the Scotch custom, may be acquired separately.

Over £30,000 was advanced for this purpose during the first ten years of its existence, and its business since in the same direction has been an increasing one.

The Central Banks Committee.—Shortly after the establishment of the Co-operative Banks Association it was found necessary to form some body able and willing to receive the surplus funds of affiliated Co-operative Banks on the one hand and pay them interest thereon, and on the other make them advances when they needed them to supplement their own capital.

As there was not sufficient business or prospect

thereof at the time to create a formal society for these objects, a Committee of private persons, called the Central Banks Committee, was constituted and still exists in connection with the Urban Co-operative Banks Association.

It has paid 3 per cent. upon deposits subject to a fortnight's notice, and its rates for small loans to societies have varied from 4 to 5 per cent.

Its transactions, however, have never exceeded a few hundred pounds a year, and it has only been looked upon as a stopgap until the growth of the movement should warrant its supersession by a formally incorporated Central Co-operative Bank.

The Central Co-operative Agricultural Bank, Ltd.— —A Society under the above title was registered under the Industrial and Provident Societies Act in 1907, for the purpose of financing the Village Co-operative Credit Societies affiliated to the Agricultural Organisation Society.

It has a most influential Board of Directors.

Its shares are of the nominal value of £1 each (of which 10s. is payable on application), and the dividend thereon is limited to 5 per cent.

Credit Societies wishing to avail themselves of the advantages of this Central Bank must subscribe for five shares, and a regulation has been made whereby at least two of the Directors are elected from a list of candidates nominated by the Credit Societies which become members.

Societies desiring advances must also furnish :—

(1) A complete list of their members, giving the address and occupation of each.
(2) A copy of their last Annual Return furnished to the Chief Registrar of Friendly Societies.
(3) A statement of the total amount of capital which they wish to obtain from the Central Bank.

The Directors then fix the limit of credit which they are prepared to grant them.

Societies to whom advances have been made are required :—

(1) To notify the Central Bank of any changes in their membership.
(2) To furnish a quarterly financial statement showing their assets and liabilities.
(3) To furnish a copy of each Annual Return made to the Registrar.

The interest charged by the Central Bank will, as far as possible, be 4 per cent. per annum.

Deposits are received by it from Credit Societies in sums of not less than £5—up to £20, withdrawable at call, beyond that amount subject to three weeks' notice.

The interest paid by the Central Bank upon deposits is 3 per cent. per annum.

As stated by the Directors in their preliminary prospectus, the Bank has not been formed in opposition to existing banks, but to supplement their operations by fostering a form of credit, which their constitution and custom prevent them from creating.

CHAPTER X

HOW TO FORM CO-OPERATIVE BANKS

A MOST natural query on the part of those convinced of the advantages of Co-operative Banks is, "How are they started?"

A few general and a few specific suggestions on this point, based on experience, may be useful.

First, it is a good plan to work mainly through existing organisations.

These have not only brought men and women together from whom the first members of a bank can be recruited, but also sifted them sufficiently to form a good idea of who is reliable and who is not.

Trades Unions.—Trades Councils should be approached, and if an invitation can be secured, arrangements made for addressing them and circulating special literature on the subject amongst their members.

The Blackburn and District People's Bank was established by this means, and there is no reason why many others should not be formed through the same agency.

Friendly Societies.—These should be worked similarly.

The recent establishment of the Chester and District People's Co-operative Bank as an outcome of an address to the local meeting of the Hearts of Oak Friendly Society indicates the possibilities in this direction.

The 20th Century Equitable Friendly Society has recently distributed propaganda literature of the Urban Co-operative Banks Association to its 500 lodges, with the idea of forming Co-operative Banks in connection therewith.

Social Unions, Guilds of Help, Settlements, P.S.A.'s, etc.—Another big field for propaganda work lies amongst these, including the Christian Social Union, the Friends' and the Presbyterian Social Unions,

the Wesleyan Methodist, and Primitive Methodist Unions for Social Service, the various Social Settlements in London and the Provinces, the Social Institutes Union and Federation of Working Men's Clubs, the Working Men's Club and Institutes Union, Adult Schools, Ethical Societies, the Charity Organisation Society, and the Guilds of Help which are being formed in various centres.

Every Church and Chapel in or near working-class districts has now a Men's Meeting or Conference, and this affords opportunities for the establishment of innumerable Thrift Agencies of this character.

The Stepney Bank was formed in connection with a Working Men's Social Club, as were also the North Lambeth, Limehouse, and Ratcliff Banks.

The Yardley Society was formed in connection with a Congregational Church, and the Saltley with a Church of England Mission Room, and there is no reason, except lack of proper organisation, why these examples should not be multiplied by hundreds.

Individuals.—Apart from these organisations there is an increasing number of individuals connected with workshops, warehouses, and other places where labour is employed, who could be interested in forming Co-operative Banks or inducing men and women to join those established in their districts.

The Press.—Every fair advantage should be taken of the courtesy of the Press for inserting notices, reports of meetings, and letters.

As newspapers depend upon the interest of their readers, coupled with their advertisement revenue, reports sent them should be brief, pithy, clear, and interesting, and advertisements of public meetings on behalf of the movement should also be sent to them.

Many societies have been set on foot as the outcome of Press correspondence.

Besides the daily Press there are innumerable local magazines and papers devoted to the social welfare, to which notices and articles could be contributed.

Country Propaganda.—Some of the above-mentioned methods are only applicable in urban areas, whilst others can be adopted in both town and country.

Independent working-class organisations, for example, are much more numerous in towns and cities than in sparsely populated rural districts.

There are, however, the Parish Council and the village Friendly Societies to appeal to, and the increasing number of public-spirited people interested in village halls and institutes.

Many country parsons, broadminded enough to care for the economic welfare of their people irrespective of their religious beliefs, will prove helpful in this direction.

Several English Village Credit Societies have been started by clergymen, and in Ireland a considerable number by Roman Catholic priests.

The first English country Co-operative Bank was organised by the squire of a Lincolnshire village, who is deservedly respected by all sorts and conditions of men in his neighbourhood, and is a believer in mutual self-help rather than patronage.

Village doctors, schoolmasters, land agents, and energetic small-holders have also taken a prominent place in initiating these societies.

The fullest advantage should also be taken of the provisions of the Small Holdings and Allotments Act, 1907, as explained in the previous chapter, whereby County Councils may now promote the formation or extension of Co-operative Banks.

As previously stated, authorities are united in holding that a system of Co-operative Credit is an absolute necessity for the success of the groups of small-holders shortly to be established, and the progress of the country side of the movement is bound to be considerably accelerated thereby.

So much for general suggestions.

Detailed Formation of Town Banks. — Detailed methods differ with local circumstances, but the following instructions will give a good idea as to the best methods of procedure.

Anyone desirous of promoting the establishment of a Town Co-operative Bank should, after distributing the descriptive leaflets of the Urban Co-operative Banks Association, convene a Public Meeting or Conference of those likely to be suitable members.

Sometimes the necessity of calling a special meeting is obviated by the willingness of a Trades Union, Working Men's Club, or other Social Institute or Society to have the subject dealt with at one of their meetings.

An expert of the Banks Association should be invited to attend to explain their principles, methods, and advantages.

If, after discussion, the formation of a Society is approved, a resolution to that effect should be passed, and the names of those willing to join should be recorded.

In the event of those present hesitating to approve of the immediate establishment of a Co-operative Bank, the next best thing is for them to appoint a Committee to consider the advisability or otherwise of its establishment, as it is much easier to go into details with such a Committee than to convene a second Public Meeting.

When a resolution favourable to the starting of a Bank forthwith has been passed, an after-meeting of those who have expressed their willingness to join should be held in order to select seven persons to sign two copies of the approved Rules, together with the Registration Application Form, and also to appoint a Secretary and Treasurer.

The seven signing members become the Provisional Committee, and the Secretary (who must also sign the Rules and Application Form) the Provisional Secretary, until the first General Meeting, which appoints the Executive Committee which has power to confirm him in his position or otherwise.

It has been found advisable in practice that the Secretary, whether salaried or otherwise, shall attend but not be a member of the Committee.

The Treasurer, whose permanent appointment rests with the General Meeting of members, can be a member of the Committee or the Council.

The next steps are, to agree upon the Rules, which must be registered under the Industrial and Provident Societies Act, and to become affiliated to the Central Association.

Model Rules approved by the Chief Registrar of

Friendly Societies are supplied by the Urban Co-operative Banks Association, which also conducts without charge the necessary procedure for the registration of the Societies.

Banks affiliated to this Association can be registered at a reduced fee of £1, instead of the ordinary fee of £5.

Rules must not be issued with the name and address of the Bank nor business commenced until it is registered.

After registration a meeting should be called as soon as possible to make arrangements:—

(*a*) To prepare and issue a prospectus of the Bank for distribution in the district, and to consider and to adjudicate upon applications for membership.

Model Prospectuses and other requisites are supplied by the Central Association. The former should contain, in addition to the address of the Registered Office, the hours fixed for the transaction of the business of the Bank, and for the weekly or fortnightly meetings of the Committee of Management.

As a rule, one night a week is sufficient for conducting the business of the Bank with its members, and another for Committee meetings.

The prospectus should also include the names of the Chairman and Committee, the Treasurer, and the Secretary, and later on those of the Council of Supervision.

The rate of interest paid upon deposits and rate of interest charged upon loans should also be stated therein, together with any special regulations in the shape of bye-laws which are not included in the Model Rules.

(*b*) To obtain the necessary books and to arrange for the printing of rules, membership and loan application forms; share, loan, and deposit cards, which are dealt with more fully in the next chapter.

(*c*) To make the advantages of the Bank thoroughly well known throughout the district.

As soon as possible after registration a General Meeting of the members should be called to receive a report from the Provisional Commitee.

At this Meeting the first Executive Committee to carry on the business of the Bank should be elected, and also, if possible, the Council of Supervision. Their duties have been dealt with in Chapter II.

The Bank is then fully established.

Detailed Formation of Country Banks.—The procedure for starting Village Credit Societies is somewhat similar.

First, the convening of a Meeting of those likely to be suitable members, at which a clear statement of the principles and methods of the movement as they concern rural communities should be made.

As country folk are inclined to move at a slower pace than their town brethren, it is often found advisable to elect in the first place a Provisional Committee to consider the special wants of the neighbourhood, and as to whether there is likely to be sufficient support to render it possible to commence work effectively.

Should this be decided in the affirmative, the recommendations of the Committee should be reported to a Public Meeting to be held in the parish.

This might be usefully attended by a representative of the Agricultural Organisation Society, to advise on any points, or answer questions as to the working of the system.

If, after discussion, the formation of a society is approved, a resolution to that effect should be passed (which should include approval of affiliation to the Central Society), and the names of those willing to join should be recorded.

These should then select seven members to sign the Rules, when approved, and the Registration Application Form, and also appoint a Secretary, Treasurer, and Trustees. The seven persons selected constitute the Executive Provisional Committee.

Rules must not be issued with the name and address of the society, nor business commenced until the society is registered.

When this is done, a Meeting of the Executive Provisional Committee should be called as soon as possible to make the following arrangements:—

(*a*) To admit members.
(*b*) To issue a prospectus of the society for distribution in the district.
(*c*) To obtain the necessary books and business forms.
(*d*) To obtain the necessary capital to admit of loans being made.
(*e*) To fix the rate of interest for borrowers and depositors according to the Rules, and to do all other things necessary for the due conduct of the society until such time as the regular Executive Committee is appointed by the first General Meeting of the members.

As soon as possible after registration, for which in the case of Village Credit Societies no charge is made, a General Meeting should be called to elect the Executive Committee for the year, and, if it is decided to have one, the Council of Control.

The Bank is then ready to begin business, including dealing with the applications of such of its members as are able to make use of productive credit, and the receiving of savings deposits.

CHAPTER XI

HINTS ON THE MANAGEMENT OF CO-OPERATIVE BANKS

IN this short chapter I desire to supplement my previous remarks by a few hints on general and special points in connection with the management of Co-operative Banks, and must trust to the reader's general knowledge and good sense to supply any inadvertent omission on my part.

Their Spirit and Principles.—It is, of course, most important that the conductors of these societies should constantly bear in mind the root principles upon which they are founded. That they should remember that it is not so much quantity as quality that should be considered, and that the success of these financial friendly societies is not to be measured primarily by the amount of their profits or dividends, but by the moral and economic benefit which they prove to their members.

A small Co-operative Bank conducted in the right spirit of business brotherhood is worth a great deal more than a huge concern which exercises little or no educational influence.

There is, as we all know, a tendency to commence enterprises enthusiastically, with high ideals, and to let these be gradually whittled down, by difficulties or indifference, to meagre performances.

It should be the constant aim of local leaders to guard against this, and to maintain performance upon the same level as original profession. To assure themselves from time to time that, by means of the Bank, wasteful habits are being replaced by wise prudence, that members are being saved from usurers, and are profiting by the loans granted to them; and, above all, that the interest of the people is being preserved in

their society, that their knowledge of business methods is being improved, and their *esprit de corps* fully maintained.

There are many ways for exercising this influence which will suggest themselves to those interested in the movement.

Friendly personal intercourse is perhaps the best, and some banks organise social meetings of their members to remind them of the aims and objects of their association, and lead them to bring in others.

Correct Book-keeping.—Whilst it is most important that correct books of account be kept in connection with all working-class organisations, it is particularly so with regard to People's Co-operative Banks. Working people, being mainly engaged in manual occupations, are generally ignorant on clerical matters, and though no complicated system is required for keeping the books of a Co-operative Bank, the first task of a newly-formed Committee of Management should be to secure the necessary clerical assistance for carrying this out properly.

It is most necessary that local Secretaries should be businesslike and understand simple book-keeping. Many persons who gain ascendency over their fellows by plausibility and fluency of speech are most deficient in these respects.

On one occasion, for instance, the aspirant to the Secretaryship of a Co-operative Bank expressed what he believed were his qualifications somewhat as follows: "I'll tek on the Secetyship, guv'nor. I'm not much at figgers an' sich like, but I'm a bleever in bruthrud, w'ich I s'pose is the princpul thing." On turning up the following week, I found him, to use his own words, "a bit mixed in his figgers." His explanation, given with perfect nonchalance, was as follows: "I wuz in a bit of a fog, I can tell yer. It wuz hate an' six (8s. 6d.), but I put down a six insted ov a hate in the shillin' collum, and a nine insted ov a six in the coppers. It wuz a proper maze, an' no mistake, but I got it rite at the finish, arter a hour or two."

Then another would-be Secretary had the horrible habit of writing down "dif." whenever he could not

balance his cash columns. The result was a series of deficiencies in the debit and credit columns of his cash book, all of which were accounted for by a repetition of "difs."

Doubtless both these men were well-meaning fellows, though quite unsuited for the Secretaryship of a Co-operative Bank.

On the other hand, I have come across scores of clear-headed working men admirably suited for such a position, and their number will, with the spread of education, doubtless increase.

Members of Committees should consider it their duty to master the business details, including the method and manner in which the books are kept. They are often remiss (not without excuse) in this respect, although, apart from their duty towards the societies, whose interests they have been elected to safeguard, they would find it greatly to their personal advantage to understand such matters.

Co-operation with Secretaries.—Undoubtedly one of the primary conditions for the success of a Town or Country Co-operative Bank is the finding of a good Secretary.

Sometimes, when found, there is an inclination to leave everything to him; but, whilst he should be given a free hand in the management of the secretarial business, he should also receive the active sympathetic interest and support of the members, and especially of those who are elected to official positions.

This both encourages him to do his best for the Society and guards against the possibility of his dropping into lax ways.

Important Points.—Expenses should be kept down to the lowest possible point consistent with efficiency.

Secrecy must be maintained regarding the transactions of members. This is most important.

It should also be noted that, whilst the Model Rules provide for all general conditions, these may be supplemented by bye-laws (printed on the prospectus), stating any additional regulations fixed by local Committees, such as the limit on the amount of individual loans and of the time for their repayment.

It is advisable to fix a low limit for loans until the Bank gets a correct knowledge of the trustworthiness of its members.

More time will, of course, be granted to agricultural borrowers than to those in towns.

Other points to be settled by the Committee are the rates of interest for depositors and borrowers.

Managers of Co-operative Banks should also do everything in their power to improve the financial credit of their institutions.

The stronger this is the greater will be the deposits from the district.

They should specially seek to increase the Reserve Funds of their Societies. Many Banks adopt the wise custom of establishing a Contingency as well as a General Reserve Fund, so that any losses may be met out of it, without interfering with the dividend or trenching upon the latter.

Extreme care should be observed in the granting of loans and keeping borrowers up to the mark in their repayments, and immediate notice should be given to sureties of any default in this respect. It is a good plan for Committees to require Secretaries to lay before them regularly a list of any possible defaulters.

Working people are apt to be too easy going in these matters, and to confound orderly business procedure with harshness.

They soon, however, appreciate the difference when it is tactfully pointed out to them.

A good method of ensuring regular attendance of members of Committees of Town and Country Banks is to keep an attendance book for them to sign, and to supplement this by printing in the Annual Report a statement of the possible number of attendances and of each individual's.

Hitherto Committee members and officers of Town and Village Co-operative Credit Societies in this country have, with the exception of the Secretary (and, when the operations are large, the Assistant Secretary), rendered their services without financial fee or reward, and, personally, I should like to see this public-spirited custom continued. In any case they should never exact more

than a nominal remuneration for serving their fellow-workers in this capacity, and thus demonstrate that they are actuated by higher motives than those described by the expression "a policy of pies and pints."

Urban Bank Requisites.—A few words regarding the books, forms, and other requisites for Urban and Rural Banks may be helpful.

It is necessary to have affixed, on the outside of every office or place in which the business of a Bank is carried on, a sign with the name of the Society.

An indiarubber name-stamp or seal, together with a locked cupboard or box with duplicate keys (one for the Secretary and one for the Chairman of Committee), should also be obtained.

The forms required are Rules, Prospectuses (including Membership Application Forms), Loan Application Forms, Promissory Notes, Share, Loan, and Deposit Cards. Specimens of each may be obtained from the Urban Co-operative Banks Association.

Each Bank should also have a Manifold Letter Book to preserve copies of its correspondence, and, as its business increases, forms, such as notices to defaulting borrowers, sureties, etc., can be added.

I hope it will not be long before uniform sets of books are provided for Co-operative Banks, which would much facilitate supervision and inspection.

At present, in addition to a Minute Book, to contain a summarised account of Committee, Council, and General Meetings, which should be fully entered up, Banks have:—

(*a*) Cash Book, drawn up on analytical lines, that is, with at least eight Cash columns on each page, the left hand, or Dr., being for money received, and the right hand, or Cr. page, for money paid out.

(*b*) Share Loan and Deposit Registers.—These Registers may be contained either in one or three books, according to the size of the Bank and the likely number of its transactions.

They are entered up weekly from the Cash Book,

with the exception of Loan and Deposit Interest items, which are calculated and added at regular intervals.

The personal accounts of each register should, of course, tally and be a check upon the Share, Loan, or Deposit Cards of the Bank, which members hold, and which are entered up when they make or receive payments.

(*c*) General Ledger.—This book is also entered up from the weekly totals of the cash book, under the various headings of Shares, Loans, Deposits, Interest, Entrance Fees, Rules, Cards, etc., Fines (if any), Establishment Expenses, and Sundries.

Though, to persons entirely unacquainted with book-keeping, these details may appear complicated, they will be found to be extremely simple in practice.

The great thing is to enter the Cash Book correctly and as neatly as possible, week by week, without getting into arrear. This will not occupy much time, and the book will then show at a glance how much has been received and paid out under the various headings on each business night, with the balance, representing cash in hand.

A line should be drawn, and each column added up separately. At the foot of this column the total amount of the transactions, up to the end of the previous week, should be brought forward and added to those of the week.

Unless there is an Assistant Secretary, it is a good and safe plan for Committee members to attend in rotation each business night and assist the Secretary in receiving cash and making payments.

When two persons sit for the receipt of cash, one can enter the amount and initial it on the member's card, passing this on to his colleague for entry in the Cash Book.

The Cash Book total and the cash should then agree, and risks of errors or mismanagement would thus be greatly lessened.

(*d*) Balance Sheets and Audit.—If these instructions are carefully followed, it will be possible

to ascertain the financial position of the Bank at a glance at any time, and to render to the Central Association without difficulty the half-yearly Balance Sheets required by the conditions of affiliation.

It will also be easy to fill up the Annual Return Form required from registered Industrial and Provident Societies by the Chief Registrar at the close of each year, and to have the books audited satisfactorily.

Town Co-operative Banks should draw up and display in their Registered Offices a Balance Sheet of their transactions at least every three months, so that their members may constantly become acquainted with the progress which they are making, and thus have their interest and confidence increased.

Country Bank Requisites.—The requisites and consequent initial expenses of a Village Credit Society are less than those of a Town Co-operative Bank.

It is not absolutely necessary to have more than a few copies of the Rules (which may be obtained cheaply from the Central Society) and a small set of books.

At the same time, if it can be afforded, it adds to the importance of the Society in the eyes of the inhabitants, and saves speech and clerical labour, if prospectuses (with Membership Application Forms attached), Loan Application and Agreement Forms, Notices to Borrowers, and Loan and Deposit Cards are printed.

The books needed are Minute Book, Cash Book, and Ledger. The first should contain a summary of all meetings, the second a clear account of Receipts and Payments, and the third Personal Deposit and Loan Accounts, and others dealing with Expenses, Interest, Entrance Fees and Fines, Totals of Deposits, and of Loans and Repayments, Profit and Loss, and Reserve.

As the yearly transactions of an ordinary sized English Village Credit Society do not occupy more than two or three pages of its Cash Book, not much book-keeping capacity is required to keep a straight record of them, and to fill in the return required by the Chief Registrar of Friendly Societies at the close of the year ending on December 31st.

Town and Country Establishment Expenses.—The small local formation expenses of Town and Country Co-operative Banks are generally defrayed by themselves, and the charge written off against the first two or three years' profits.

There is, however, no objection to these initial expenses being defrayed by private individuals or public bodies, but both limited and unlimited liability societies must be entirely self-supporting after establishment.

Financial Safeguards.—All Secretaries should be required to furnish a Fidelity Bond, varying in value according to the amount likely to pass through their hands.

It is most important that all moneys received by the Secretary on a business night should be handed over to the Hon. Treasurer, or banked with the Society's bankers, not later than the next day, with the exception of a small amount approved by a resolution of the Committee.

Many mutual societies, which have incurred losses through the defalcations of their Secretaries, would not have done so if they had observed this custom.

The Treasurer, on his part, should deposit the funds of the Society in the Post Office Savings Bank, or in some other reputable bank approved by the Committee, from which they cannot be withdrawn except by cheques signed by himself and the Chairman, or acting Chairman, and countersigned by the Secretary.

The receipt of the Treasurer or the Bank pass-book (preferably both) should be laid on the table and inspected at each Committee Meeting.

No system, however beneficial, finds itself free from criticism or from instances of failure, but if the principles and methods which I have endeavoured to set forth are carried out in an intelligent manner, all criticisms will be satisfactorily answered by the practical demonstration of the utility of Town and Country Co-operative Credit Societies.

CHAPTER XII

THE IMPORTANCE OF SUPERVISION

ONE of the most important matters in connection with Co-operative Banks, or, for that matter, all popular economic societies, is that of adequate supervision.

Its Necessity.—Their aims and objects may be excellent, their model rules perfect, and their system of book-keeping most exemplary, but unless these are properly carried out, weakness and failure must result.

There are also the very real dangers dealt with in my chapter on Counterfeit Co-operative Banks.

Hence the necessity for adequate inspection and supervision.

The promoters of the movement in this country, I regret to say, have hitherto only been able to exercise a cursory supervision over the operations of the Banks they have founded.

If they are to multiply more rapidly and become a permanent factor in the economic life of the nation, this department must be improved and strengthened.

In the first place, it may have to be done by voluntary effort, though many staunch believers in self-help feel that later on the State may be reasonably called upon for aid in this direction.

The ideal plan would be for local Co-operative societies (Credit and otherwise) to voluntarily submit themselves to inspection and contribute sufficient to their Central Associations to defray the necessary expenses.

I fear, however, that this " policy of perfection " is not likely to be carried out, partly because of its cost, but mainly because my countrymen hold what I venture to believe exaggerated ideas of independence, which prevent the majority from agreeing to such inspection, however beneficial.

A Suggestion for the Government.—I therefore think that it would be a good thing if a system of compulsory inspection for ensuring societies "going straight" could be legally established.

It would be a heavy and expensive task for the Government to undertake directly, but if they were to depute the duties to our Central Associations and make grants to them to cover the expenses, they could be discharged satisfactorily, at a much less cost and with greater effectiveness.

In view of the social legislation of modern times, I do not think there is anything revolutionary in this proposal for protecting the interests of the poorer classes of the population and inducing them to join in greater numbers various forms of Co-operative Societies for their moral and material welfare.

It would, however, involve the question of the legality of unregistered societies, of which there are a tremendous number.

Under the present law, "No company, association, or partnership consisting of more than 20 persons can be formed for the purpose of carrying on business that has for its object the acquisition of gain unless it is registered as a company under the Companies Act, or is formed in pursuance of some other Act of Parliament or of letters patent."

This does not make unregistered Friendly Societies illegal.

I have no desire to see the freedom of the subject interfered with except in the interests of the community, but do not think it would pass the wit of man to draft an acceptable Bill which, on the one hand, would permit of associations with a trivial financial turnover being registered or unregistered, and at the same time compel others, in the interests of their members, to be registered and properly supervised.

Affiliation.—Affiliation to Central Associations, like the Urban Co-operative Banks Association, the Agricultural Organisation Society, and the Irish Agricultural Organisation Society, is obviously beneficial to local People's Co-operative Banks and Village Credit Societies.

It adds importance to their membership to be part of a national organisation, which advertises their work and passes on useful information to them from time to time.

Other specific advantages are:—

(*a*) Registration under the I. and P. Act at a much lower fee.

(*b*) Expert advice and assistance (including book-keeping instruction), not only in the organisation of societies, but also whenever they are in a difficulty on any point.

(*c*) The purchase of model rules and other forms for the conduct of societies at a lower cost than if they had to print them separately.

(*d*) Attendance and voting at the annual meetings of Central Associations.

The conditions of affiliation are:—

(*a*) Approval by the Association of the title of the society, its first rules, and any subsequent modifications thereof.

(*b*) Copies of balance sheets to be rendered by Town Banks to their Association half-yearly.

(*c*) The right of inspection of the books of local Town Banks at any reasonable time, and the right to send a representative of their Association to attend any General Meeting, but without the possession of a vote.

(*d*) The payment of a small affiliation fee.

(*e*) Village Credit Societies are required to subscribe for one £1 share in the A.O.S., which involves the payment of one shilling and a contingent liability of 19s., which is never likely to be called up.

In Germany, as we have seen, the principal advantage of affiliation to Central Unions is a thorough annual inspection of the affairs and methods of business of local Banks, but lack of means has hitherto prevented our copying this excellent example.

Registration.—The advantages of registration under the Friendly and Industrial and Provident Societies Act (obligatory upon all affiliated British Town and Country

Banks) are fully set forth in the Guide Book of the Friendly Societies' Registry Office.

Registration gives societies a legal status by special remedies on summary conviction against persons who obtain possession of their property by false representations or withhold or misapply it, and other privileges, including, in the case of Friendly Societies, exemptions from certain stamp duties, and to all power to appeal to the Chief Registrar, on the representation of a certain number of their members, if they consider their affairs are being misconducted.

The main obligation of Co-operative Banks towards the Registrar is the furnishing of Annual Returns, audited either by one of the Public Auditors or by two or more persons appointed by each Society.

Good and Bad Audits.—Many of the private audits are thoroughly efficient, but many are the reverse.

I remember one occasion upon which a Friendly Society secretary "went wrong" to the tune of £92.

When the attention of one of the auditors was called to his recent certificate, all he replied was, "Well, he (the secretary) told me the books were all right, and so I signed it!"

I also recollect the case of a Money Club, held in connection with a political club in the Midlands, the Secretary of which committed suicide after embezzling £1,000 belonging to the members.

The books had been "audited" annually by two honest but ignorant men, who had merely asked the late Secretary each year where they were to sign their names!

Those behind the scenes could, whilst testifying to the honesty and public spirit of the officers of workmen's societies generally, supplement these examples with scores of others.

Some persons would deduce from these experiences that it is altogether unsafe to trust working people with the administration of economic societies involving financial responsibility.

It is too late in the day, however, to maintain such an attitude. The working people do not, and need not, ask anybody's permission for the formation of the

various forms of Mutual Aid Associations, and the total amount accumulated in Provident Societies with which the Registrar of Friendly Societies has to do, amounts to £178,807,443, in addition to a very large amount in the hands of unregistered societies. There is room, however, for improvement in the supervision of all Co-operative Societies.

Councils of Supervision and Local Auditors.—I have already referred to the composition and objects of Councils of Supervision.

The advantages of these bodies depend upon whether they regard their duties seriously or indifferently. If they adopt the first-mentioned attitude, they can be of great service in keeping Committees of Management and Secretaries up to the mark in carrying out the principles of the movement in a safe and businesslike manner.

Before considering the question of the additional safeguards in the direction of inspection and supervision which should be instituted in this country, in order to maintain the true spirit of Co-operative Banking on the one hand and on the other reduce to a minimum the risk of losses, I would like to point out that there are some things—such as the detailed audit of the transactions of societies—which it seems to me will always be able to be attended to more efficiently, in the case of independent banks, by local persons than by any Inspectors from a distance. Therefore it is difficult to devise any centralised system of supervision likely to be able to dispense with local auditors.

Inspection by Post.—In the absence of an efficient local audit, one system would be for each Bank to make weekly or monthly returns by post of all their transactions, and to send their books and vouchers at the end of each year to be audited by the same body.

The disadvantages of this are that the Central Organisation would not be able to check the Share Loan and Deposit Cards, and, when the movement grew, would have, at the commencement of each year, to employ a large body of temporary accountancy clerks for a few weeks, beyond which it would not be convenient for them to retain the books of their affiliated societies.

They would also have no means of judging of the value of the promissory notes or of the spirit in which the Bank was being conducted.

They would therefore require some local body, such as the Council of Supervision, to undertake the duty of examining and reporting upon these matters.

Travelling Inspector.—Another plan suggested is for the Central Organisation to employ a Travelling Inspector, to pay at least one visit to each Bank per annum, and examine and report upon the state of its accounts and its methods of work.

District Controllers.—The ideal plan would seem to be to institute a system of District Controllers—men of practical business knowledge, including banking—whose duty it would be to annually inspect and report upon the conditions and methods (including the local audit) of the Banks in their area, and in addition pay one or two surprise or " pop " visits to each Bank in the course of the year for purposes of supervision.

They would have to carry out their duties in a tactful manner, so as not to ruffle the susceptibilities of those responsible for the conduct of the Banks.

The auditors would report direct to the members, and the District Controllers to the Central Association.

Under any system it would be necessary for each Bank, in the interests of its members, to subscribe so much per head for inspection purposes, and for some time, at all events, this amount would have to be supplemented by a grant from the Central Organisation.

As a business man, I feel very strongly on this subject of inspection and supervision, which would undoubtedly:—

1. Encourage local people to form Co-operative Banks at a much greater rate by the assurance that the societies, when established, would have a careful eye kept upon them.
2. Conduce to good management. Everyone, more or less, needs the stimulus of supervision.
3. Give much greater confidence to members to deposit their savings in their coffers.
4. Preserve their co-operative character.

CHAPTER XIII

SOME PERSONAL REMINISCENCES

THE work of organising a movement of the nature of Co-operative Credit, though often hard and discouraging, has many compensations whereby the pioneer is benefited, as much as those for whose welfare he is labouring.

He has to meet with and, if possible, convert into friends and supporters all sorts and conditions of men, from peers to peasants, and if he be a student of human nature (without which it is impossible to succeed as the secretary of a popular movement) he learns many interesting things from this intercourse, of inestimable value in life.

A philosopher friend of mine used to declare that he declined to write for the public Press because a journalist had to look at things out of other people's eyes, and he preferred to confine himself to his own.

Personally, whilst I think his sublime egotism would have made his writings vastly interesting and amusing to the readers of newspapers, I am quite certain that it unfitted him for popular propaganda work, in which, without resigning one's personality, one has to be, in many ways, " all things to all men."

The secrets of success, of course, apart from having a good cause, are sincerity, sympathy, and enthusiasm, coupled with good-tempered treatment of critics and the capacity of not being too much elated by success nor unduly discouraged by set-backs.

The British Working Man.—My duties have brought me much into contact with working men, and I have consequently been in a position to estimate pretty accurately their qualities and dispositions.

They are often intensely suspicious in the first place,

but once get established in their confidence (which can never be done if there is anything patronising in your attitude), and they prove themselves, on the whole, downright good fellows.

I have seen excellent speeches coldly received by them, and poor speeches, with the touch of humanism, rapturously applauded.

A **Poser.**—The similarity of questions asked at the close of addresses in different places is astonishing.

The most regular—put, as a rule, in a censorious tone —is, " I would like to ask the speaker how much his Association is to receive if a Bank is formed, and how much of the profits they will expect from it every year? "

When I have replied, " A big ought " or " Nothing," the heckler has often joined in the loud laughter accompanying his discomfiture.

"Vested Interests."—On one occasion, after addressing a meeting of working people and urging them to establish a Town Co-operative Bank, a man, whom I had been previously told would probably make one of the best supporters of the movement, rose and said he did not agree with my remarks at all, and that, for himself, he would have nothing whatever to do with it.

I replied that I always welcomed criticism, but would like him to state his objections specifically, so that I could reply to them, and that in any case I hoped he would join the proposed Provisional Committee for ascertaining whether a Bank would be useful to the neighbourhood or not.

But he was obdurate, and refused to say anything further or join the Committee.

Now comes the sequel. Another working man, at the close of the meeting, informed me that my critic had been a labourer, and had started selling various articles to his neighbours, until at last he had made a considerable sum of money.

Nearly everyone in the neighbourhood was indebted to him for goods purchased on the " tally " or hire-purchase system, and possibly for small loans.

He evidently feared, and rightly so, that if the people founded their own Co-operative Bank they would be able to emancipate themselves thereby from his toils,

and buy for cash at a much lower price the articles he was foisting upon them.

This explained everything.

He represented the "vested interests" of the Tally system!

"**A Model Money Club.**"—Another incident that sticks in my memory is the speech of a critic who stated that, however useful Co-operative Banks might be elsewhere, there was no necessity for one in the neighbourhood I was visiting, as they already had a model money club which possessed all the qualifications and conveniences I had been advocating.

I found out afterwards that this democratically-governed society, "open to all," was connected with a public-house in the vicinity.

When I remarked upon the disadvantage of people having to visit a public-house regularly, to make their payments and attend meetings, he replied, "But two-thirds of them never come near the place."

I also discovered, by a little tactful cross-examination, that the treasurer was the publican, that no general meetings of the society ever took place, and that the committee consisted of three persons, self-elected on the establishment of the society several years previously.

So much for the *democratically-governed model money club,* which was described as equal in *every* respect to a properly constituted People's Co-operative Bank.

Halls and Audiences.—I had an experience during the first year of my Co-operative Banks work which might have damped my ardour if I had not been, to use the expression of a friend, such "an abominable optimist."

Arrangements had been made, through a local gentleman, for me to address a meeting for the formation of a Bank in a densely-populated industrial district, and large numbers of leaflets announcing the fact distributed broadcast.

I went down, accompanied by the friend who had had sole charge of the arrangements, turning over in my mind what I should say and how I would say it, and wondering what sort of an audience I would have

to address; but, to my discomfiture, on entering the large, well-lighted hall precisely at the hour when the meeting was to have commenced, I saw an empty platform, and also that the audience consisted of two poor old women with shawls over their heads, a girl, and an anæmic youth of about seventeen years of age.

It was a regular fiasco.

Even the chairman had not put in an appearance, and, when I met him later, the only comfort I received was, "There is no good in coming down here. No public interest is taken in anything. The only way to get people to attend a meeting is to provide them with a free tea and comic songs."

I consoled myself with remembering the experience of a far more influential organiser than myself, who had often to visit villages four or five times before being able to secure an attendance, and who on one occasion, after tramping through wind and rain along rutty roads to a village school, found not a soul in the place except the caretaker, whose principal anxiety was as to who was to pay for the oil used for the lamp lighting.

I have addressed many crowded audiences since, but cannot entirely get rid of the horror of finding a hall without an audience.

Country Wit and Humour.—Townsmen are apt to think they possess a monopoly of the sense of wit and humour, but those, like myself, who have addressed audiences in country villages, oftentimes miles from any railway station, have been made aware of the fact that not only does the stolid exterior of the agricultural labourer hide much sound common sense, but that if he can be got to talk he will drawl out many caustic comments of a most humorous character.

One example of this occurred in the Institute of a village on the borders of Nottinghamshire, after I had delivered an address on the advantages of forming a Credit Society for the district.

The dead silence of a few minutes which followed my remarks was broken by a typical villager, and I only regret that I cannot repeat what he said in his own dialect, but the purport of it was as follows:—

"You've heard what the gentleman says, and you

know it's true, but you sit and look at one another like a lot of mummies and don't move an inch. You remind me of the tramp who was found lying down by the roadside. When he was asked where he was going, he said, 'I don't know. I always goes where the wind blows, and take care to have it at my back, and now it's gone down I don't know what to do!'

"Stand up like men, face the wind, strike out a path for yourselves, and don't need so much shoving!"

A Cautious Countryman.—I have generally found it more difficult to ascertain whether I was impressing my audiences favourably or not in the country than in the towns. At the close of another speech on behalf of Village Co-operative Credit, a rural inhabitant expressed the extent to which I had succeeded in the following words: "You must pardon me, master, but wen oi were a lad we used to bathe in a pond. It were a muddy 'un, and as non on us wanted to get drownded, we used to test it wi' a long stick. Now, you must excuse me, master, but it's the same wi' this 'ere scheme o' yourn. We wants to know w'ere we is, and to tek care as we don't get drownded in it."

From the nodding of heads and various marks of assent with which this oration was greeted, I felt that it admirably reflected the general opinion of the meeting.

A Productive Purpose.—I cannot resist jotting down one more country story, the recounting of which at propaganda meetings invariably causes much merriment.

In the Irish Co-operative Banks the regulation as to only lending money for productive purposes is rigidly adhered to.

When a young Irishman was asked what he wanted a loan for, he replied "for a new suit of clothes." On this being objected to on the ground that it was not a productive purpose, the son of Erin retorted: "Well, you see, it's this way, gentlemen—I want the suit for courting a colleen whom I hope to marry, and surely your honours will admit that that is a productive purpose."

The Conservative Lion and the Socialist Lamb.—The unifying influence of the Co-operative Banks movement was strongly illustrated at a recent meeting on

its behalf held in the town hall of a large Lancashire manufacturing centre, under the presidency of the Mayor, who was supported on the platform by the local leaders of the Conservatives, Liberals, Radicals, Socialists, Labourists, Churchmen, Roman Catholics, and Nonconformists.

One speaker humorously remarked that he was glad to see the Tory lion lying down with the Socialist lamb, with a few little Liberals trying to lead them. To which, amidst laughter, the Conservative leader responded that "it was a great relief to be out of the dusty arena of political and religious strife, if only for a short time, on an occasion such as that."

The scene inspired the editor of the principal local paper, who was also present, to publish in his journal a comical cartoon, under the above title, exhibiting a lion and a lamb being led towards a grassy slope, upon which the words "Co-operative Bank" were inscribed.

Personal Acknowledgments.—In concluding this brief record of a few of my experiences whilst engaged in Co-operative Bank propaganda (to which I regret it has only been possible to devote a portion of my time), I would like to acknowledge the friendship extended to me by many men and women of all positions, parties, and creeds.

I value intensely the trust and confidence of large numbers of manual workers in London and the Provinces, and the goodwill of many Labour leaders, including Mr. W. C. Steadman, M.P., Secretary of the Trades Union Congress.

I should have to make a long list if I attempted to enumerate the secretaries of societies, heads of settlements and institutes, and other social workers who have helped me, and I also owe much gratitude to the conductors of the Press in the Metropolis and elsewhere.

Especially do I desire to put on record my indebtedness to Mr. Robert A. Yerburgh, D.L., J.P. (the head of the movement in this country), who represented Chester in Parliament for so many years, and has kindly accepted the dedication of this little book.

Also to Sir Henry Robson, J.P., the Mayor of Kensington, who has supported the work with exceptional

generosity; Dr. J. B. Paton, of Nottingham (with whom I have had the privilege of being acquainted since boyhood), at whose instigation I entered upon it by becoming Secretary of the Co-operative Banks Association; Mr. V. A. Malcolmson, whose business experience and advice have been invaluable; and Mr. Victor V. Branford, M.A., Founder and Hon. Secretary of the Sociological Society.

In addition to these, I must mention the public support and valued personal friendship of Lord Stamford, the Rt. Hon. Sir Horace Plunkett, Mr. R. N. Sutton-Nelthorpe, Founder of the first English Credit Society; Mrs. J. C. Carver and Mrs. Mills-Carver, co-Founders of the first English Town Co-operative Bank; Mr. John Ross, C.A., Hon. Auditor to the movement since its commencement; and Mr. W. Harvey, of Blackburn, whose extensive experience of industrial banking and supervision has been freely placed at my disposal.

This list would be very incomplete if it omitted acknowledgments to Mr. J. C. Gray, the able and genial Secretary of the Co-operative Union; Mr. R. Halstead, Secretary of the Co-operative Productive Federation; Dr. G. W. Kitchin, Dean of Durham; and Mr. E. O. Greening (both contemporaries of the Christian Socialists of the 'forties); the Bishop of London, the Bishop of Islington, the Archdeacon of London, Mr. H. Rider Haggard, Mr. Douglas Eyre, Vice-Head of Oxford House; Mr. T. M. Kirkwood, Mr. A. H. H. Matthews, Secretary of the Central Chamber of Agriculture; Mr. J. J. Stark, Mr. Francis E. Douglas, Mr. W. J. Braithwaite, Mr. J. G. Cloete, Mr. S. T. Weston, Mr. B. W. Howe, Mr. Arthur Bowman, Mr. J. K. Montgomery, Mr. R. G. Pearse, Mr. J. H. Diggle, Mr. W. Creed, Mr. S. Gainsley, Mr. J. G. Lee, Mr. J. L. Hargreaves, Mr. Councillor James Johnson, J.P., Mr. William Easter, Mr. Edward Spencer, Mr. C. Buckeridge, Mr. George Matheson, Mr. F. C. Mills, the Hon. and Rev. J. G. Adderley, Rev. Edgar Todd, Rev. R. L. Payne, Rev. Rollo Meyer, Rev. L. Ehrmann, Mr. R. H. Cazalet, Mr. C. E. Moore, Sir E. W. Brabrook, C.B., Mr. J. D. Stuart Sim, Chief Registrar of Friendly Societies; Mr. Hall Hall and Mr.

W. H. Tozer, of the Friendly Societies Registry Office; the Secretaries of the Irish and English Agricultural Organisation Societies, Mr. W. H. Wolff and other writers mentioned in my Bibliographic Note; also the members of the various Committees in connection with the movement whom I have served under, and the Officers and Committees of the Co-operative Banks formed as the outcome of our propaganda.

Complete lists of those who have given financial support to Co-operative Credit propaganda in the United Kingdom and Ireland are contained in the Annual Reports of the Urban Co-operative Banks Association and the English and Irish Agricultural Organisation Societies.

These include, besides most of those whose names have been given, the Hon. W. F. D. Smith, M.P., the Hon. T. A. Brassey, Sir Edgar Speyer, Mr. Frank A. Bevan, Mr. R. L. Barclay, Mr. R. C. Gosling, Mr. L. D. Gosling, Mr. Francis W. Buxton, Mr. D. C. Stiebel, Sir Raymond West, Mrs. D'Arcy Hutton, Mrs. F. Cecilia Tubbs, Mrs. P. H. Bagenal, Mr. Vincent R. Hoare, Mr. Geoffrey Drage, Sir Ralph Neville, Mr. Charles Robertson, Mr. Alexander Thomson, Mr. Alex. Devine, Mr. J. M. Ludlow, C.B., Mr. C. J. Whittington, Mr. Sam. Bostock, Mr. George Devine, Rev. Minos Devine, Mr. Frank H. Hope, and Mr. A. Campbell Miles.

CHAPTER XIV

MONEY-LENDING AMONGST THE POOR

THOSE unacquainted with working-class life would be astonished if they knew how extortionate usury flourishes amongst the poor.

Now and again the public is shocked by newspaper reports, under such glaring headlines as "In the Clutches of the Money-lender," "Shylock's Victim," "A Human Vulture," etc., of poor people being harried out of their lives by the exactions of money-lenders; but these are simply instances possessing features which lend themselves to attractive publicity.

The great army of victims drag along their weary way in a mist of obscurity, without even the satisfaction of knowing that their miseries are seen or sympathised with.

Many of them fall deeper and deeper into the mire of inextinguishable debt, until they are landed in the workhouse, the madhouse, or a premature grave.

These facts were proved up to the hilt before the Parliamentary Select Committee, whose report resulted in the Money-lenders Act, 1900.

Failure of the Money-lenders Act.—I do not think I am exaggerating when I say that no Act has more signally failed to accomplish its object than this one.

So far as I am aware, it has done little or nothing to lessen the evils against which it was directed.

Professional money-lenders continue to flourish under what have been ironically described as its "protecting" clauses, hardly any prosecutions have been instituted for the offences mentioned therein (for the

simple reason that they may be committed with impunity and their penalties evaded), their victims rarely get redress from the Courts on account of the ineffective drafting of the Act, and they themselves continue to flood the country with their specious circulars and deceptive advertisements, and to wring extortionate inquiry fees, interest, and fines from their victims as heretofore.

To the lay mind it would appear comparatively easy for a Court to decide when the interest on a loan was excessive and a transaction harsh and unconscionable, but our judges have generally been unable to define the conduct of money-lenders as such (at all events in a legal sense), unless defendants could demonstrate the possession or anticipation of considerable means, which of course is out of the power of the generality of poor persons who resort to money-lenders.

What has been done, however, in occasional instances, when unconscionable interest has been charged, has been to make orders for the amounts to be paid by extremely small monthly instalments, but this could have been done under the old law.

Money-lenders should be licensed, and the maximum interest and other charges upon their loans should, as with pawnbrokers, be fixed by law, and anything paid above it be recoverable.

Money-lenders and Their Clients.—I have before me particulars of innumerable piteous cases, both in town and country, of sufferers from usury, and have also come into personal contact with many heartrending instances of persons who have had experience of the "tender mercies" of the money-lender, though for the credit of human nature, I am glad to be able to say that "there are money-lenders and money-lenders."

All are not as hard-hearted as the majority.

Some conduct their trade in a reputable manner, and are satisfied with large profits fairly stated, instead of practising gross extortion and the cruel deception of borrowers as to the rates they are paying, and the nooses they are fastening round their necks.

On the other hand, there are dishonest as well as honest borrowers, the latter of whom have to pay for

the losses involved by the former; but, even after allowing for this, the usual charges of money-lenders are outrageous.

Cases of Victims.—I have only space to record a few instances exemplifying the usury which prevails in our midst, and these must necessarily be confined to those concerning the poorer class of borrowers.

The following "human document," signed "A Young Mother," which appeared in a London evening paper, illustrates so vividly and truly one of the everyday sordid tragedies of our mean streets, that I make no excuse for reproducing it:—

A Young Mother.

"SIR,—I have had the misfortune through reverses to fall into the hands of a money-lender. I first began by borrowing a pound at a penny to the shilling; that would mean 1s. 8d. per week.

"I paid that amount over twelve months, and still owed the pound the same as when I first began.

"I paid £4 6s. 8d., and still owe the pound now. Sir, I have a little family of five, and my husband is a labouring man of very modest means, which this money-lender knows, yet week after week they are heartless enough to demand this interest.

"Sir, my excuse for writing this is in the hope that some kind heart who has influence may read this, and take some measures to stop these bloodsuckers, as I am only one out of the dozens I know of. The road I am living in holds no less than seven of them, so God help the poor victims who fall in their hands."

Another Poor Woman.

Another poor woman who saw this letter wrote: "Young Mother's case is by no means rare. I borrowed 40s. principally to get my girl some clothes to go to service, and am still paying 3s. 4d. every week for interest, for I cannot get out of it anyhow and dare not tell my husband, who is a poor man."

A Printer's "Chapel."

On one occasion I was invited to meet fifty or sixty compositors employed by one of the largest firms in London, nearly every one of whom had borrowed from a certain money-lender, and, after repaying much more than the original amounts borrowed, found themselves owing more, the explanation being that without investigating the matter they had agreed to pay interest at some hundreds per cent. per annum, and also be mulcted in fines whenever any of their payments were in arrear. At the cost of a small

initial outlay, therefore, and by the piling up of interest and fines, coupled with a ready acquiescence in renewing balances with added interest, the money-lender was drawing a very fair livelihood at the expense of their ignorance and folly.

All I could do was to advise the men to allow him to take his threatened proceedings against them, and then to lay their united cases before the County Court Judge, in the hope that in view of the unconscionable interest charged, he would make such small orders for payment that the money-lender would come to terms with them. As explained above, it was quite hopeless to expect him to declare in their favour, whatever interest they had paid or received claims for.

Ruined Clerks.—Hundreds of clerks are ruined yearly through getting into the hands of money-lenders.

Amongst other cases of this kind which I have had to deal with, I have reason to remember one in which a Cabinet Minister in the late Government asked my assistance:—

> The clerk in question was the son of a man who had been employed professionally by his family, and had come down in the world. This man had borrowed £10, repaid £15, and, failing to keep up the perpetual instalments through some home trouble, had received many rude threats.
>
> After investigating the case, and satisfying myself of the truth of his statements, I was empowered to call upon the money-lender to settle the case for as little as possible, and, while sitting in his outer office, was astonished to see the number of respectably-dressed clerks calling to pay instalments upon their loans.
>
> The man of money, evidently taking me for another "pigeon," came forward smilingly, but when he heard my errand his face changed, and in an extremely off-hand manner he absolutely refused to take a penny less than the amount of his full claim, although I explained (without mentioning the name) that I called on behalf of his debtor's would-be benefactor.

> On remarking that, under the circumstances, I would leave him to take legal action, he replied, very cheekily, that he was not such a fool as to take his debtor into Court, as he could ruin him more readily by presenting to his employers (a big insurance company in Lombard Street), if he were not paid forthwith, an order upon his salary, which he had compelled the borrower to sign in addition to a default bill.

One of the conditions of employment in many banking and insurance companies being that employees shall not involve themselves in debt, the exaction and use of such a document practically amounts to blackmail.

It happened, in the case in question, that the noble lord who was interesting himself in the matter was himself a large policy-holder in the insurance company.

He very kindly, therefore, made a special request to them that no penalty should be enforced against the money-lender's victim if the former should carry out his threat.

But the difficulties of dealing with such unscrupulous creatures may be gauged from the fact that the company, whilst agreeing not to penalise their clerk, said they would prefer to pay the amount rather than have such persons as the money-lender in question (who has since been described in *Truth* as an unmitigated scoundrel) upon their premises. The result was that he got his money and unconscionable interest.

This case illustrates the fact that, in addition to retaining the power of charging extortionate interest, money-lenders can also fasten themselves round the necks of their clients—

(*a*) By default bills, which enable them to sign judgment for the full amount of debt and interest if one instalment is in arrear.

(*b*) By getting them to sign garnishee orders, giving them a claim against their salaries.

In my opinion, both these rights have been so grossly abused that they should be abolished.

Other Instances.—The following are three other typical cases illustrating the manner in which Civil Service, insurance, and bank clerks are treated:—

1. Loan of £3: Interest £1 a month until the sum could be paid in full, and not by instalments; this lasted seven months; rate of interest 400 per cent.
2. Loan of £20: Interest £5 a month; details of arrangement same as last case; this ran on for twelve months, and, for all I know, may still be running. Rate of interest 300 per cent.
3. Loan of £10: Interest £2 10s. a month; same as above; lasted six months. Rate of interest 300 per cent.

Village Victims.—Village tradesmen, farmers, dairymen, gardeners, and labourers form a large proportion of those drawn into the usurer's net.

The smaller men are induced to give "hiring agreements" over their furniture, and the others bills of sale.

In the event of failure to meet one instalment, the whole debt and interest becomes due, and they are pounced upon and required to either renew their loans at a more exorbitant interest, or have their homes sold up and they themselves disgraced or ruined.

Other Dodges.—One dodge, especially of those who offer to lend "on note of hand only, no bondsmen," is to charge an inquiry fee of 5s. or more, and then write stating that they cannot entertain the proposal. Another is to profess to lend £30, so as to bring the transaction up to the amount required to execute a Bill of Sale, and then to take back £10, or more, at once.

As an instance of deception exercised *re* interest, I will conclude these proofs by an account of a case which I heard only the other day from the lips of a small tradesman:—

> Needing £20 rather badly, he was induced to write to one of the authors of the temptingly composed advertisements offering to lend "from £5

and upwards" to respectable people, "on note of hand only, at 5 per cent." After hearing his story, the representative put down £20 on the counter, remarking, "Here you are; sign this paper here," pointing to a space at the foot, "and you shall have it at once."

Being somewhat on his guard, the man pulled the paper from him, and found it to be a promise to repay no less than £35, *i.e.* the £20 and £15 interest.

On indignantly denouncing the deception, the money-lender offered to accept £5 interest instead of £15, *i.e.* at the rate of 100 per cent. per annum; but I am glad to say he was ordered off the premises. The man was not so cornered as to be compelled to agree to this extortionate interest.

Extent of the Money-lending Evil.—The extent to which this trade "in human blood and tears" is conducted may be measured by my readers when I inform them that the touting usurers' circulars, which they doubtless receive in common with all of us, are not only addressed to mansions and suburban villas, but also to householders in every tiny out-of-the-way village, including the homes of fishermen and farm labourers.

Judgment summonses are being issued in batches, and defaulters hauled before the Courts in shoals, their homes broken up, and in many cases the bodies of bread-winners committed to prison for non-payment of the harsh and unconscionable compulsory contracts —one cannot call them free-will bargains—made with money-lenders.

Apart from professional usurers, there is a class of male and female lenders (small shopkeepers, etc.) who infest working-class districts, and charge from 1d. to 3d. in the 1s. per week (*i.e.* 433 to 1,300 per cent. per annum) to their clients.

Workers in mills, engineering shops, railway yards, etc., could testify to the wholesale existence of such sordid creatures, who wring from their dupes enormous regular returns for a small initial outlay.

I knew of a man of this sort, who became a labourer

in Sheerness Dockyard at £1 a week, in order that he might make at least £2 a week or more by "obliging his mates," and of another (a coal-heaver), who died worth £700 obtained in the same manner.

When persons of this type attain to positions of trust, by becoming foremen and such-like, they can and do exercise much tyranny, and those employed under them are practically compelled to borrow "to keep in" with them.

Many of their borrowers, it is true, are improvident persons who need little encouragement to entangle themselves in their meshes, and who, whatever their earnings, always need more, and have got into the bad habit of borrowing in the course of the week, and paying "through the nose" for it on wage day.

The cure for this is improved education all round.

As I have explained under the heading of "Improvident Credit" in Chapter IV., the Co-operative Banks movement is no scheme for facilitating such lack of self-control.

All it seeks to do is to make it possible for every self-respecting man or woman to be free from the necessity of raising money from extortionate usurers of any class.

Methods of Counteraction.—If a tithe of those who are shocked at the recurring revelations of working-class money-lending would band themselves together to apply a remedy, the money-lending snake would be scotched.

Last year a Money-lenders' Victims Defence Association was formed by a clergyman in the South of London for the purpose of defending persons in poor circumstances from the avaricious extortion of usurers, and to press for the passing of further legislation for the protection of such persons.

Whilst wishing every success to its noble mission, I must also emphasise that a more difficult and more necessary task is to counteract usury by the formation of institutions which will render them unnecessary; and therefore I appeal to all who not only condemn money-lending "sharks" with their lips, but are also willing to help their poorer neighbours to escape from their clutches, to help in promoting the Co-operative Banks

movement. The remedy lies in the ***education, organisation,*** and ***supervision*** of people in associating together to help themselves.

Parliamentary Committee's Commendation of Co-operative Banks.—I feel that I cannot conclude these remarks on "Money-lending Amongst the Poor" more appropriately than by quoting the following extract from the Report of the Parliamentary Select Committee on "Money-lending," which speaks for itself:—

"Your Committee has received important evidence as to the operations of the Co-operative Banks on the Continent and in some parts of the United Kingdom. It appears that the establishment of such banks has been of great use in abolishing, or largely diminishing, the trade of lending money at extortionate rates of interest to the poorer classes. Your Committee are impressed with the extreme usefulness of these institutions, and they are of opinion that they meet a real want."

CHAPTER XV

OTHER LOAN AGENCIES

IT will doubtless be interesting to the social student to consider what other sources of financial accommodation are available to working people, so as to be able to contrast them with the advantages which a national system of People's Co-operative Banks would confer.

Pawnbrokers.—First and foremost is the familiar pawn-shop, commonly described as "the poor man's bank."

Though there is plenty of room for reform in connection with the pawnbroking business, on the principle that "a friend in need is a friend indeed" it has undoubtedly been very helpful to the poor.

Under the Act which regulates their calling, pawnbrokers are permitted to charge ½d. for a ticket describing the pledge left in their custody, and ½d. interest per month on every 2s. or part of 2s. advanced to their customers—*i.e.* at the rate of 25 per cent. per annum.

As, if they understand their business, they have absolute security for all money lent, this is a pretty stiff price, but even it does not fully represent their gross profits, which are swelled by various devices, one being a custom of advancing odd shillings, for which ½d. per month is charged (which obviously doubles the profits on the amounts represented), and another charging for special shelf or cupboard room.

But the principal increase is due to the fact that the majority of their regular customers take their pledges out every Saturday and re-pledge them on Monday morning, and as every time they have to pay one month's interest, this brings the rate of interest to 100 per cent.!

Verily there is room in London and other large

cities for the establishment of Monts de Piété, such as those of France (under the management of the State), Italy, Germany, Denmark, Belgium, Austria, Russia, Spain, and one or two in the United States, which are popular pawnbroking establishments run in the interests of borrowers rather than lenders.

Slate Loan Clubs.—There are an enormous number of societies of this description, which are sometimes described as Sharing-out Clubs.

Slate Clubs, as their name indicates, are temporary, or rather annually, terminating societies, to which men and women make weekly contributions—in the case of a Slate Loan Club for loans, and in other instances for sick benefit, life insurance, and other purposes.

These societies are supposed to have originated in village inns, where it was the custom of their *habitués* to contribute to a box any small sums they could spare towards the sick and funeral expenses of themselves and friends. After a while subscriptions of a similar amount from each person were arranged, and friendly societies formed which shared out at the end of the year any balances in hand.

Nearly every public-house, most large workshops, many social clubs, and a large number of churches and chapels run Slate Clubs.

They are so simple to form, and so easy to conduct, that they are very popular with working people and those connected with them.

Whether this is a sufficient justification for preferring them to other forms of co-operative credit association is another matter.

It would be out of place to comment here upon the strong and bitter controversy between the champions of Slate, Sick, and Benefit Clubs, and the permanent Friendly Societies, as to the respective merits and demerits of each.

I must confine myself to a summary of the constitution and methods of Slate Loan Clubs, and a comparison of these with those of Co-operative Banks.

Slate Loan Clubs are formed with shares which are usually of the value of 20s. or 25s., paid up at 6d. per week.

Some clubs limit the number of shares to be held by any one individual.

Members neglecting to pay their weekly contributions regularly are fined ½d. or 1d. per week per share, and if not "clear of the books" on quarterly nights a further fine per share is imposed.

In addition to 3d. or 6d. for Membership Card and Rules, a charge of 3d. or more per share is made for "quarterage." Out of the funds collected by means of share subscriptions members are entitled to obtain advances.

Sometimes, though not invariably, these loans (which are usually granted at the discretion of the Secretary) are limited to the amount of their shareholding.

Members requiring loans above the amount of their contributions up to date must provide one or two other members as sureties, such persons to have enough in the club to cover their guarantees.

One shilling in the pound for twenty weeks is charged in advance as interest.

Borrowers in arrear with their repayments are fined 1d. in the £ per week, and those six weeks in arrear receive a notice, for which 2d. and upwards is charged.

Finally, the members of those clubs who do not take out loans in the course of the year are fined 1s.

Some Slate Clubs charge more than the foregoing, but my illustration is drawn from the rules of well-conducted clubs of this description.

About a fortnight before the end of the year comes the great share out, when each member receives back the amount he has paid on his share or shares, together with his dividend, which, in the case of a club such as I have been dealing with, would amount to 2s. and upwards.

Members in arrear with their instalments and fines receive no dividend, but simply the return of the moneys they have paid in, less their proportion of working expenses and their overdue fines.

The "Slate" is wiped clean, and nothing further is written upon it until the first week in January, when operations are recommenced.

This is the general rule, though in some cases it is customary for members to leave a small sum on the books to recommence the New Year with.

I have set forth the constitution of Slate Clubs at some length, as they are so often thought to be satisfactory substitutes for Co-operative Banks, although, as a matter of fact, the utmost that can, in my opinion, be rightfully claimed for them is that they are elementary institutions for compelling their members to lay by something for Christmas, and borrow their own money at interest.

I am hoping that in the near future many of their conductors and members will see the advantage of converting them into Co-operative Banks, still, of course, under their own management.

Towards this end I will jot down two or three

Advantages of Co-operative Banks over Slate Loan Clubs.—1. *Greater Permanence and Stability.*—A friend of mine, interested in Thrift movements, remarked the other day that a Slate Club was like a squirrel in a cage—always working but never getting any forwarder.

The supersession of Slate Loan Clubs by Co-operative Banks would place the financial interests of the people upon a more permanent basis.

It stands to reason that no sound system of popular credit can be reared upon the basis of an annual breaking-up custom.

How could the ordinary commerce and banking of this or any other country be conducted if firms had to be liquidated annually, and the capital returned to partners and shareholders?

2. *Greater Command of Capital.*—No external credit can be obtained by societies wound up automatically every year.

Well managed Co-operative Banks, on the other hand, can secure advances from bankers and others, in the case of Share Banks on the security of their capital, and in the case of those without shares on the collective security of their members.

They are, therefore, an improvement upon the old system, for enabling working people to increase their command and control of monetary credit.

3. *Better Facilities for Saving.*—Slate Clubs, besides possessing no permanent capital as a basis of credit, have no Deposit Departments in the ordinary acceptance of the term.

In one sense the temporary share subscriptions constitute compulsory deposits, but these are limited to a small amount, no one being permitted to pay in, in the course of the year, more than his nominal shareholding.

One has only to contrast this with the Savings Departments of Co-operative Banks, in which people are invited to deposit sums of 1d. and upwards whenever they are able, receiving interest thereon, instead of having to pay " quarterage " or any other charge, to recognise their superiority in this respect.

Other ways in which Slate Loan Clubs operate against saving and tend towards improvidence are:—

a. By fining those who do not withdraw their savings in the shape of loans.

b. By compelling their members to withdraw their shares at Christmas time, when there is every temptation to fritter them away.

The fortnight's interval between the winding up of the Old Year's society and the commencement of the New Year one, leads all but the most prudent to get rid of all the cash which they have saved in the club during the year.

As for public-house Slate Clubs, members of Mutual Societies should surely recognise the unwisdom, for the purpose of saving, of resorting to places whose existence depends upon constant expenditure, and where it is not the fault of " mine host " if, when sharing-out day arrives, they do not depart with sundry bottles of gin, whisky, or other liquors, and a packet of cigars, amounting to much of their boasted savings.

4. *Less Limitation of Loans, and no Compulsory Borrowing.*—In most, if not all, Slate Loan Clubs the amount that can be borrowed is limited by the members' shareholding.

In Co-operative Banks it is simply limited by the value of personal security for their due repayment which is provided.

This advantage of the Co-operative Banks system is

due to the reasons explained under the section relating to the greater command of capital which they can obtain from outside sources for the benefit of their members.

Many Slate Loan Clubs suffer from a paucity of cash at the beginning of the year, when share subscriptions are beginning to be paid in, and an overplus of cash later on, when all the shares are, or should be, paid up, and most of the loans repaid.

Then the compulsory borrowing rule of Slate Clubs or fines in lieu thereof, besides penalising the member who is trying to save money, leads to unnecessary and wasteful borrowing, many members who do not need a loan arguing that, as they have to pay interest in any case, they might as well have the money.

5. *Less Fines.*—The conductors of Slate Clubs are naturally so anxious to declare a good dividend at the end of the year, to satisfy their members and attract a large number the following year, that they generally work the fines system for all that it is worth.

It is obvious that their profits, and consequent dividends, are largely dependent upon this source, as otherwise they could not exceed the interest paid by their members for loans plus interest received upon surplus funds (which latter would not be more than at the rate of 5 per cent. per annum), presuming, as is generally the case, that their "quarterage" payments were absorbed by working expenses.

Co-operative Banks have permissory regulations empowering their Committees to fine members in arrear, but these are not depended upon as a source of income, and are not put into force if any reasonable excuse is offered.

6. *Self-government* versus *Paternalism.*—In the portion of this book devoted to the benefits of Urban and Rural Co-operative Banks I have dealt at some length on their educative influence.

With every desire to be fair to the promoters of the earlier system, I must say that even the best Slate Loan Clubs exhibit what I may describe as more concern in providing loans for their members than anxiety to develop their powers of self-government.

It is always easier to do something for our poorer

neighbours than to help them to do something for themselves, but it is not equally beneficial.

There are, doubtless, instances where this criticism does not apply, and where there are regular meetings of the members for discussing the affairs of the Slate Loan Club, electing and controlling officers, declaring dividends, etc., but I have mixed pretty freely for many years past in working-class districts, and have generally found these clubs run entirely by one or two men, with no special system of book-keeping, and in hosts of cases a very perfunctory audit.

The great majority of them are also unregistered.

I have failed to convey one of the most important features of Co-operative Banking if my readers have not been made to realise that it educates its members in economic affairs, and makes a special point of training them in the management of their affairs.

7. *Charges and Dividends.*—There is an impression in some quarters that Slate Clubs make up for any weakness in their constitution by charging their members less for advances than Co-operative Banks, but this is not so.

Their members often think that they are only paying 5 per cent. interest, but they fail to recognise that 1s. in the £, repayable by twenty weekly instalments of 1s., amounts to 25 per cent. per annum.

Town Co-operative Banks, whose rate is 2d. in the £ per month, only charge interest upon the balances of outstanding loans, which brings the rate, inclusive of all incidental expenses, to a little over 10 per cent., while the Village Credit Societies only charge from 5 to 6 per cent.

In the former case the dividend on shares is generally 5 per cent., and the latter have no shares.

It is true that Slate Loan Clubs declare a larger dividend than Co-operative Share Banks are permitted by their Rules to do, but all the working capital is provided by their members, free of deposit interest, and if they receive a dividend of 2s. 6d. in the £, part of it represents the return of the amount they have paid for interest, and part the return of sums deducted for quarterly management expenses and fines.

What it costs a member of a Slate Club to borrow money depends so much on his circumstances and character, and those of his fellow members, that it is difficult to make an exact comparison. If the latter are poor payers and he is a good one, he will benefit considerably by participating in the fines inflicted upon them; but if, on the other hand, he be a poor payer, he will help to swell the dividends of his more fortunate brethren.

This was tersely expressed by an East End friend of mine, who remarked anent Slate Loan Clubs, "Wot they want iz gud borrerers an' poor payers."

It will be obvious that to judge a Slate Loan Club by the amount of dividend which it distributes at the end of the year is deceptive, unless at the same time the amount of fines, etc., imposed is taken into consideration.

In some public-house clubs, for example, six weeks is the usual length of time allowed a member to be in arrear with his share subscriptions, and if he does not or cannot continue them he loses all that he has paid in, which accounts for the larger dividends of these clubs compared with others whose depositors in arrear do not have their subscriptions commandeered.

To sum the matter up, therefore, the charges which Co-operative Banks are able to advance money at are less than those of Slate Loan Clubs, on account of their small expenses of administration, their facilities for borrowing at low rates of interest, and because they can utilise a proportion of the deposits of their savings departments.

On the other hand, members of Slate Clubs who repay their loans promptly are slightly to the good, financially, through their proportion of the management expenses represented by "quarterage" being paid out of the fines of other members, and something else being received in addition from the same source. In consequence of this fine system most of the members pay a great deal more for their financial accommodation than they would have to do if they were members of either Town or Country Co-operative Banks.

This has been practically demonstrated by the fact that, in one or two London districts where the people will stick to the old system, Slate Loan Clubs are run (rightly or wrongly) as departments of Co-operative Banks, and the balance of profit of these Slate Clubs, after paying a dividend of 2s. 6d. in the £ to their members, constitutes a substantial contribution to the funds of the Banks.

Slate Club Scandals.—The following is an extract from a leading article in the London *Evening News and Mail* which appeared at Christmas time, under the title of "Unthrifty Thrift":—

"At this festive season of the year there is at least one class of people among whom a gloomy, not to say despairing, spirit prevails, viz., the depositors in what are known as Slate Clubs.

"There are doubtless many of these institutions for the encouragement of Thrift which possess perfectly honest treasurers, but at the same time, the number of defaulters is so large as to give the impression that the absconding of the responsible official with the whole of the available cash is a necessary and regular part of the proceedings.

"Every year without fail we hear of case after case in which unfortunate depositors have lost every farthing, the total in some instances running into hundreds of pounds, and even where the defaulter is caught his victims get but little satisfaction, for the treasurer has more often than not been living on the funds during the whole of the preceding twelve months."

I have before me whilst writing a considerable collection of newspaper cuttings dealing with Slate Loan Club scandals of the kind referred to.

It is most pathetic to read these accounts of poor people being defrauded out of their small savings at a time when they are so much needed.

So long, however, as they continue to hand their savings in a haphazard fashion over the bar of any public-house, or into the hands of any glib-tongued and persuasive person who starts a Slate Club, they have mainly themselves to blame.

Very many publicans, I need hardly say, are absolutely honourable and reliable persons, but one-man Slate Clubs are altogether bad.

Doubtless most of the defaulting officials start with fair intentions, but the temptation to temporarily speculate, or otherwise use the funds in their hands, proves

too great, and leads to falsification of accounts and embezzlement.

If working people will persist in belonging to Slate Loan Clubs, they should at all events confine themselves to those which have precautions against the risk of fraud in the shape of Trustees, Committees, and Auditors, though even then, as I have endeavoured to prove, Co-operative Banks are safer and better.

A great many Slate Loan Clubs are registered as specially authorised societies under the Friendly Societies Act, and are carried on under a variety of titles, including "Mutual Loan and Investment," "Mutual Aid," "Mutual Benefit," "Family Investment and Loan," "Thrift and Loan," "Friendly Loan," and "Mutual Help" Societies, and occasionally under more fancy titles, such as "Jolly Fellow" Society and "Tree of Life Investment and Loan" Society.

Some of these societies, for creating funds to be lent out to or invested for their members (especially in the Provinces), are well conducted, but, generally speaking, all their management expenses and part of their dividends are obtained from fines and cancelments of contributions.

CHAPTER XVI

OTHER LOAN AGENCIES (*continued*)

THE limits of this work prevent my dealing exhaustively with every form of loan association. I will therefore simply say that, besides loan societies registered under the Friendly Societies Act, there are others registered under the Industrial and Provident Societies and Companies Acts.

I must, however, devote some space to two or three more types of loan clubs, including those societies (of which there are a considerable number) which are not registered but *certified* under the Loan Societies Act of 1840, which has been aptly described by the Chief Registrar as "very imperfect and representing substantially an obsolete type of Friendly Societies Act."

Friends of Labour Loan Societies.—They are known as "Friends of Labour Loan Societies," this title being generally prefixed by some distinguishing word such as "Surprise," "Perseverance," or "Goodwill."

In the early part of last century there were a great many semi-charitable funds for lending small sums of money to "the industrious classes" (as working people were then described) in our towns and villages, and in 1835 an Act was passed to regulate them, which was superseded by the Act of 1840.

This Act (which only applies to England, the Channel Islands, and the Isle of Man) has been taken advantage of for the formation of mutual loan associations in place of the original charitable societies it was intended to deal with.

It confers several privileges, including exemption from stamp duties and power to bring defaulters before justices. It prohibits fines and balloting for loans, and limits the amount of interest chargeable to borrowers

to 12 per cent. per annum, in addition to a maximum inquiry fee of 1s. 6d.

The rules of these societies need not be printed, and their Treasurers and other persons entrusted with the receipt and custody of cash must provide fidelity bonds.

On the other hand, no greater sum than £15 can be lent by them to any one person at the same time, or until it is repaid, their defaulting members can (as explained before) be hauled before magistrates, and individually members have no statutory rights beyond those of inspecting, and altering and repealing the Rules.

They are not entitled to copies of Rules or Balance Sheets, nor to the inspection of Accounts, and there is no legal provision for the audit of Accounts or settlement of disputes.

The only necessary officers of this class of loan society are a Trustee or Trustees, a Treasurer, and a Secretary, but many of them voluntarily elect Committees in accordance with more modern ideas.

Though their interest on loans is limited by law, it is apparently legal to require contributions towards management expenses from those who are investors only.

A brief summary gathered from the Rules of the Society of this kind having the largest turnover will illustrate the constitution and methods of the best class of Friends of Labour Loan Society.

This society was founded in 1865, and meets in a public-house which retains the old title of "tavern."

Its objects are described as:—

"To raise a Fund by means of the contributions of members, for the purpose of lending money to members only, in sums of not less than one pound, nor more than fifteen pounds, taking payment by instalments, with interest thereon; and, after paying working expenses and placing at least five per cent. in the reserve fund, dividing the balance of profits in equal proportion amongst those members who shall be entitled to dividends."

The amount of profit due is credited to members' stock account each quarter, but any member allowing his promised contributions to remain more than four weeks in arrear during any quarter, or failing to "clear

his book " on the last pay night of any quarter, forfeits the dividend on all stock paid during that quarter.

Thus the legal prohibition against fines is overcome, or rather compensated for, by not crediting defaulting members with the share of profit which would otherwise accrue to them.

Management.—The management is vested in a Committee of twelve, " elected every quarterly night from amongst members present at the meeting house only "—Treasurer, three Trustees, two Auditors, Chief Secretary, Cash Secretary, Check Cash Secretary, and Inquiry Officer.

These latter officers (with the exception of the Trustees, who hold office during the pleasure of the Society) are elected by the members present at the Annual Meeting.

The regulations regarding the duties of the Committee and Officers and their supervision by the Trustees (who are required to attend in rotation once a week for this purpose, and to sign cheques, receipts, and other business documents) are, in the case of this Society, first-class.

The Treasurer, who has to provide a security for £100, receives all moneys from the Chief Secretary (who has to furnish a guarantee bond of £50), and is required to place them in the Society's bank within forty-eight hours.

The following scale of salaries is paid:—

Committee of Management 1s. per attendance.
Trustees (except at Committee Meetings) 3s. per attendance.
Auditors 10s. each for each audit.
Chief Secretary, £2 10s. per 100 members per quarter.
Cash Secretary, 7s. 6d. per 100 members per quarter.
Cash Check Secretary, 5s. per 100 members per quarter.

Nothing is said in the Rules about the remuneration of the Treasurer.

Shareholding and Borrowing.—Every member may hold from one to five shares, each share being of the value of £10, payable at the rate of 6d. per share per week.

Members who are eligible may borrow up to £15, upon the security of their investment in the Society,

to the extent of but not exceeding twice the amount of their stock (upon signing the note in accordance with the Act), after they have belonged to the society for at least three months.

Those who have not sufficient stock for the amount of loan required may borrow:—

From £1 to £5, on providing one satisfactory security, and

From £5 to £10, on providing two sureties who have to be jointly and severally responsible for repayment of principal and interest.

Charges.—These are 1s. in the £ for forty weeks, plus 1s. 6d. inquiry fee. Women are admitted to the privilege of membership, with the exception that no loans are granted to married women unless their promissory notes are endorsed by their husbands.

Withdrawals.—Members may withdraw a part or the whole of their stock by giving fourteen days' notice in writing, subject to a deduction of 2½ per cent. for working expenses.

I have purposely taken for my illustration one of the best societies of this description, and one which I believe has learnt by expensive experience the necessity of strict supervision over its affairs and business-like system in carrying out its objects, but many of the safeguards it has instituted are not required by the Act under which it is certified, nor have they *been set up* by similar societies.

Before contrasting these societies with Co-operative Banks, I would like to point out that their old-fashioned certification is an improvement upon the non-registration of so many Slate Clubs, as is also the non-fining of borrowers (although this is counteracted by the penalisation of share depositors in arrear) and the non-break-up at Christmas.

Their working expenses are likely to be greater.

Contrast with Co-operative Banks.—1. It is clear that the Friendly or Industrial and Provident Societies Acts (under which Urban and Rural Co-operative Banks are registered) are far better suited for working people than the old-fashioned Labour Loans Act, if only because they require the election of Committees and

compel annual audits, besides bestowing upon their members many other statutory privileges.

2. The non-withdrawable but transferable shares of Urban Co-operative Banks provide sounder security for outside borrowing.

3. Then, whilst Labour Loan Club advances are limited to £15, Co-operative Banks are entitled to grant credit to any amount commensurate with the security offered.

4. British Urban Co-operative Banks charge 10 per cent. interest per annum, and Village Credit Societies 5 to 6 per cent. (instead of the Labour Loan 12 per cent.), and these charges include all expenses of inquiry and administration.

5. The deposit departments of Co-operative Banks do not exist with Friends of Labour Loan Societies.

6. Though members of Co-operative Banks may, at the discretion of their Committees, be fined if they are in arrear with their payments, they are not denuded of all participation in profit for this cause, as with Friends of Labour Societies.

7. Finally, Co-operative Banks Committee members and other officers, with the exception of the Secretary (who generally receives a small honorarium), are not paid for their services; consequently it costs less to conduct them. If all officers attended regularly, a Friends of Labour Loan Society, on the lines described, with 200 members, would cost per annum: for Chief Secretary £20, Cash Secretary £3, Check Secretary £2, Committee of Management about £7 4s., and Trustees over £10—*i.e.* over £40 per annum.

A similar sized Co-operative Bank would not require to pay more than an honorarium of £10 to its Secretary.

Self-Help Societies.—There are also a number of well-conducted mutual saving and loan associations, carried on in connection with the Church of England, under this title, which are registered as specially authorised Friendly Societies.

It will not be necessary for me to devote much space to describing their constitution and methods in detail, as they are on the same lines as those of the

Friends of Labour Loan Societies, with certain distinct improvements.

Their object is to create funds by weekly subscriptions to be lent out to or invested for their members, all profits arising therefrom to be divided at the end of each quarter and credited to the members' accounts.

Officers.—These consist of three Trustees, Treasurer, Secretary, Cashier, and a Committee of Management of ten members.

Shares.—Members are allowed to take from one to six shares, upon which they pay 3d. per week per share. They can withdraw their stock from the Society, less a fair share of the expenses incurred (unless it is mortgaged as security for another member's loan), upon giving seven days' notice.

Loans.—Members are eligible to borrow not less than 10s. nor more than the amount fixed in their rules, subject to the approval of the Trustees, after they have been in the Society for three months, on providing satisfactory sureties (who must be members), unless their stock equals the amount of the proposed loan. The interest is at the rate of 1s. in the £ for forty weeks, during which the loan must be repaid by weekly instalments of 6d. in the £.

Management Fund.—Members contribute for one or two shares 3d., three or four shares 4d., and five or six shares 5d. per quarter.

The officers of the first Society of this character are paid from this fund as follows: Trustees, 1s. each per attendance (the Trustee acting as Chairman to be paid 2s.); Secretary, 3d. per quarter per member for the first 400 members and 2d. per member per quarter above that number; Cashier, £1 per quarter; Treasurer (who must furnish a bond for £100 in a Guarantee Society), £1 per quarter; Auditors, 2s. 6d. each per quarter for the first 400 members and 6d. additional for every additional 100 or fraction of that number; Committee members, attending in rotation once a week to assist the Secretary, receive 1s. per attendance.

I understand that in the societies formed since, all officers, except the Cashiers and Secretaries, render their assistance free.

Dividend Fund.—All interest arising from the granting of loans is paid to this fund, but any member neglecting to pay up all arrears on quarterly night is only entitled to receive dividend upon each complete quarter's money.

The dividend generally equals about 1s. in the £ per year.

Their main idea, unlike that of so many mutual loan societies, is not the lending of money regardless of whether it is required for provident purposes or not, but to encourage thrift by inducing regular weekly savings.

All those with which I am acquainted publish very clear and business-like audited statements of accounts, showing the receipts and payments of their different departments, and a list of the amounts (denominated by numbers) standing to their members' credit at the end of the year.

Altogether, in my opinion, they represent the best system of saving and loan funds, short of Co-operative Banking, that has been devised.

Money Societies.—Another form of financial association met with throughout the Provinces is that represented by the Money Club.

Some of these societies are worked by half a dozen persons, who provide the money for borrowers like a Loan Office, and retain all the interest paid thereon for themselves.

A better type, known as Mutual Permanent Money Societies, are Co-operative in character.

They are registered as Specially Authorised Societies under the Friendly Societies Act, have a business-like set of rules detailing the method of electing Committees (" one man one vote "), the appointment of officers (including Trustees and Auditors), and other matters of management.

Their Secretaries are often local accountants, whose offices are the Registered Offices, thereby enabling business to be transacted daily.

They have two classes of members—investing and borrowing.

A description of one of the best conducted of these societies will convey a good account of their methods.

Investing Members.—These can take up shares of from £5 to £200 in value, the weekly subscriptions upon which are from 7d. to 21s.

Dividends are allocated (but not paid) every three months, amounting to 1s. 6d. for each £5 share per quarter, up to £3 for a £200 share per quarter, which, it is claimed works out at over 10 per cent. per annum. Members in arrear with their share subscriptions on quarter nights are not credited with any dividend.

At the end of three and a quarter years the sums subscribed, with their accrued interest, are repaid.

Borrowing Members.—Loans of from £5 to £50 are made to members only on personal security, as funds permit, repayments being allowed at the rate of 7d. per week for a £5 loan up to 5s. 3d. per week for a £50 loan.

A dividend is allowed to borrowers.

Payment of Officers.—The President, Trustees, Auditors, and Committee men (2s. 6d. per attendance) are all paid, in addition to the Secretary, who receives 1s. per member per quarter.

Working Expenses.—The expenditure is met by the interest and premiums received on loans, coupled with contributions of members towards the Management Fund of 1d. per week for one £5 to £10 share, 2d. for £15 to £30 share, and 3d. for £35 to £50.

The General Account of the society I am describing (which granted loans of £2,490 during the year 1906) shows that £747 9s. 6d. was received for "Interest and Premium on Loans," and £177 18s. 10d. from "Contributions to Management Expenses," of which salaries and commission to members absorbed £149 19s. 6d.

It is clear that the 10 per cent. interest paid to investors, plus the expenses of management, is mainly provided by the borrowers and those who have had to abandon their shares.

If a bondholder gets into arrear with his share contributions, and the sureties (which he has to provide when purchasing the same) do not pay up, an action at law can and is taken on the bond note, and all profits standing to the credit of the share are forfeited.

Bad Features of the "Bond Investment" System.—It

will be seen from the foregoing that these societies (even when conducted on Co-operative lines) have much in keeping with the strongly condemned "Bond Investment" system and certain extensively advertised Housing Associations, whose profits are swelled by the losses of such of their members as cannot complete the payments which they have been induced to pledge themselves to, or find purchasers in the open market for the bonds for which they have unfortunately subscribed.

Loan Premiums and Candle Clubs.—The custom of paying premiums upon loans in addition to the required interest reminds me of the old Candle Money Clubs which used to meet in village inns, and, for aught I know, still do so in some of our country parts.

The members subscribed so much each and the loan was put up to auction, conducted by means of a pin stuck in a candle, the biggest bidder before the flame reached the pin receiving the loan.

How Bondholders and Borrowers are Penalised.—With regard to the bondholders, what happens is this:

A member takes up a share of, say, any value from £5 to £50, and all goes merrily so long as he can afford to pay his contributions.

Then, when from poverty, bad health, or any other of "the ills to which human flesh is heir," he cannot continue them, he finds himself in a fix.

As he cannot withdraw without losing all he has paid in, he has no alternative to finding a purchaser *to whom the Committee are willing to transfer it.*

In bad societies this is the money-grabber's opportunity, and he purchases his unfortunate fellow member's share (which carries with it, of course, the liability of subscribing till it is completed) for very much less than his victim has paid up upon it.

Borrowers, on the other hand, are sometimes so much in need of money that they will offer a big premium to obtain a loan, which greatly increases the interest they have to pay for the accommodation.

I have heard some sad tales of the losses of members in these Money Clubs, who rarely realise what they are committing themselves to.

Saving is a good habit, but not at such a risk of loss, or at the abnormal expense of borrowers.

Personally, much as I object to gambling, I think the Continental Lottery Bond system, which I would deplore seeing established in this country (whereby investors of small amounts receive a moderate interest and the chance of a big prize), preferable to one in which a large number are likely to lose considerably for the profit of others.

I need not occupy space in demonstrating the advantage of the Co-operative Banks system over the Money Societies system.

It is only too obvious.

CHAPTER XVII

COUNTERFEIT CO-OPERATIVE BANKS

MY exposition of the Co-operative Banks movement would be incomplete without some reference to schemes for exploiting the interest it has created in Co-operative Credit for the purpose of enriching their authors.

Characteristics of these Promotions.—Some of these schemes have been pure frauds. Others, though not fraudulent in a legal sense, have been floated with bombastic pretences of philanthropy, and simulated interest in the welfare of the people.

It is astonishing how readily working people and others are " taken in " by plausible persons whose principal stock-in-trade consists of :—

(*a*) A good knowledge of the catchwords of the movement.

(*b*) A thorough appreciation of the credulity of " the man in the street," and unlimited assurance and impudence in trading upon it.

I venture, therefore, to give a little elementary advice, which, though simple, seems most needful.

Do not believe everything that men say in praise of themselves, as sometimes the opposite is the truth.

Inquire, either personally or from those you can trust, and who have greater facilities of finding out the facts and " no axe to grind " :—

1. If those who offer to look after your savings have done anything to warrant financial trust.
2. If their character and disposition do not positively unfit them for such a responsible trust.

In other words, if they do not need very careful looking after themselves.

This is a real and not a merely theoretical evil, and I therefore earnestly press upon those interested in the "condition of the people" problem to "beware of imitations" of true Co-operative Credit.

It is easy enough to ascertain whether a concern is conducted upon co-operative or personal profit lines by applying to its constitution and practice the principles set forth in this book.

The fact that it calls itself a Co-operative Bank or Co-operative Savings and Investment Association is nothing.

Any seven persons may register a bank, or a banking society with the word "Co-operative" in its title, either as a company, or industrial and provident society, and then run it principally for their own benefit; though, personally, I think it very much against the public interest that they should be legally permitted to do so.

Swindlers can be dealt with by the police, but there is apparently no effective means of preventing promoters of proprietary associations conducted on commercial lines from claiming to be co-operative, or to stop them from quoting authoritative opinions upon the legitimate Co-operative Banks movement commending the safety and utility of Co-operative Credit for the purpose of securing financial support for themselves; neither is there any judicial process by which comparatively irresponsible persons may be deterred from constituting themselves depositaries of popular savings.

I doubt whether any good would be gained by dealing more fully with the ingeniously-worded pamphlets and other literature issued by pseudo Co-operative Banks (both Agricultural and Industrial), so will content myself with analysing some of the dodges and dangers of these gentry.

1. Abuse of the term "Co-operative."

It is a misuse of terms to describe a concern as Co-operative simply because it has shareholders who are also customers. Otherwise any limited liability company could claim to belong to the Co-operative movement.

A society which is practically run by one or two men (whose past records will often not bear investigation), or a company which is governed by a clique and which places no limit upon the number of shares to be held by each individual nor upon dividends, is neither Co-operative nor Mutual.

2. Exploitation of Mutual Aid propaganda.

The cloaking of efforts to make as big commercial profits as possible, under the guise of a desire to solve pressing social problems, cannot be too strongly condemned.

A baker would be as justified in professing to sell his loaves out of sympathy with those who are starving, as such people are in pretending that they are animated by public-spirited or philanthropic motives.

3. Deceptive interest on loans.

Borrowers are never informed of the real percentage they are required to pay for loans.

Sometimes 5 or 10 per cent. interest means 60 or more per annum. Even when the words " per annum " are added, as the interest is deducted from the amount advanced and loans are repaid weekly, it works out to many times that amount.

4. Serious risk of losses.

Finally they can despoil their simple-minded clients :

(*a*) By drawing salaries and commissions out of all proportion to their real worth, and

(*b*) By lending funds, attracted by blatant advertisements, to themselves for speculative purposes.

This latter is the principal danger likely to arise from the growth of counterfeit Co-operative Banks.

It is an evil which has been demonstrated over and over again, and yet people will continue to hand over their hard-earned savings, without proper inquiry, to anyone who will shout loudly and persistently enough for them.

What is to prevent the leading spirits of these concerns " borrowing " from the bank which they control, thousands of pounds to buy and sell shares or finance other schemes in which they are interested?

Of course, if these schemes prosper the loans from the bank will be repaid with a small interest.

But if there is a slump in the market, if everything does not go well with them, and they cannot repay the big sums due to the " Co-operative Bank," a big smash follows, hundreds of poor people are crippled or ruined, and industrial thrift becomes a byword.

In the meanwhile such loans may be renewed from year to year by the simple expedient of including them as assets in the annual balance sheet.

The methods of such concerns are altogether foreign to those of the Continental People's Co-operative Banks, which bestow equal powers upon individual shareholders, seek to educate them economically, in most cases consider the purposes for which loans are required (so as to discourage unnecessary borrowing), and finally have their operations inspected by means of responsible supervising unions.

As a matter of fact, they are really money-lenders, and should be registered accordingly.

They have absolutely no rightful claim to be considered part of the genuine Co-operative Banks movement, as would soon be demonstrated if they applied for affiliation to any recognised Co-operative Union.

NOTE.—Since writing this chapter, reports have appeared in the daily press of another missing "popular" banker with unsecured liabilities amounting to £150,000. Throngs of small tradesmen and artisans, including many women, stood, we are told, shivering with cold near his banking premises, only to be roughly informed by the police that there was no use in waiting. These people were secured as clients through the banker's newspaper the "Investor's Guide," which had a wide circulation amongst the masses, not only in Berlin but also in the Provinces.

CHAPTER XVIII

MISCELLANEOUS NOTES AND SUGGESTIONS

IT was somewhat difficult to choose an appropriate title for this chapter because, besides suggestions for the future, I propose to deal therein with any odds and ends of information relating to Co-operative Credit which it has not been possible for me to include in other parts of the book.

I feel like a man who has been packing for a journey, and who has to pitch everything left out of his trunks into one box.

It is impossible to have been engaged for several years on behalf of a movement of the nature of popular Co-operative Credit without getting one's ideas matured, and in many cases modified.

Of one thing I am more than ever convinced, however, and that is of the great utility which Co-operative Credit is capable of becoming both in town and country districts.

Hitherto this has only been recognised by a comparatively few persons, but I hope that the facts and arguments set forth in this little book will greatly increase their number, and lead to a more systematic attempt to spread its benefits in the United Kingdom.

Town Districts.—In considering the scope for Co-operative Banks in our country, we have to meet and overcome the objections of those who affirm that whatever may be the case in agricultural districts, it is not possible to advantageously multiply them to any great extent in urban areas.

As a matter of fact, this can only be successfully maintained if we are prepared to agree to leave everyone beneath the status of an ordinary bank customer without banking facilities.

Objections.—Some friends assert that Co-operative

associations for production, distribution, saving, building, etc., are the best banks for the people, and the only ones which they require.

Whilst heartily appreciating the most excellent influence in the direction of thrift which these societies, when well managed, have and are exercising, I contend that they need supplementing by societies confined to banking business solely.

Incidentally these prove fruitful recruiting and training grounds for other forms of economic co-operation, and there is no sound reason why a person who has shares in the above-mentioned enterprises (none of which, by the way, deal in personal credit) should not also have his own banking account in his own bank to serve the purposes described in this book.

Saving.—As I hope I have succeeded in proving, there is in town districts an immense field for increasing inducements to save.

Whilst there is much scope for improvement in detailed methods, the popular nature of the Co-operative Banks movement, and particularly the large share in its management which devolves upon the people themselves, makes it an exceptionally favourable agency for accomplishing this end.

Lending.—The same applies to the lending side of the movement.

The benefits to be conferred by lending small sums of money to poor people on easy terms of repayment have long been recognised, and many attempts made to provide for it. The famous Dean Swift, of Dublin, set aside £500 (the first, it is said, of which he became possessed) for this purpose, and was rewarded by being the means of rescuing many people from poverty and setting them on their feet again. Benjamin Franklin left money for the same object.

John Wesley acted similarly with equally beneficial results, and the Jewish Boards of Guardians in London and Manchester to-day grant small loans to their poor co-religionists to start them in business as hawkers or small tradesmen, charging, I believe, no interest, and finding by experience that the loans succeed in their object and are generally repaid.

If I remember correctly, "General" Booth, in his "Darkest England and the Way Out," outlined a scheme for a poor man's bank, but I have been unable to discover whether the Salvation Army Bank makes advances to poor people on personal security or not.

Ruskin Banks.—The most ideal modern agencies of this kind seem to me to be the small Ruskin Banks, of which the St. Anthony's Bank, in connection with the Liverpool Ruskin Society, is a good example.

Its method has been to create a fund by the gifts of those willing to help, and to lend small sums without interest to approved applicants, who are allowed to make gifts to the society, but are not coerced into doing so.

Despite its purely altruistic basis, losses have been incurred, which have had to be made up by additional gifts.

Still, it is clearly a good example for churches and chapels to copy, or rather to revert to, as it was, as stated in the prospectus of this society, a custom of the early Christian Church to lend money to those who had fallen into distress, and to whom temporary help might be the means of preventing increased difficulty and sorrow.

Funds of this character have, however, been mainly for the destitute, and have partaken of the nature of charity rather than mutual self-help.

Co-operative Banks are in another category altogether.

They do not invade the sacred province of charity, but are intended for men and women who have security to offer (if not in the shape of that required by ordinary banking institutions) and would resent any suspicion of charity.

There will always be a necessity for gifts, but some of us, to quote the words put into the mouth of an old woman as addressed to a district visitor, are "too much concerned in bendin' down and 'elpin' up them as 'as fell in the mire, insted o' keepin' them on their feet that ain't fallen down at all yet."

The Principal Necessity of the Movement. — The principal necessity in connection with Urban Co-

operative Banks is the strengthening of the Central Body, so as to encourage local people to form them more rapidly, with the assurance that they will be backed by a strong national organisation, which will establish a uniform system of book-keeping, exercise adequate supervision over their operations, and supplement local capital when required with advances at a low rate of interest.

National Conference of Co-operative Bank Workers. --A conference in London of those engaged in the work (to be continued annually if practicable) would also be most helpful.

This conference would not only attract public attention to the movement, and make members realise that their societies formed part of a national enterprise of wide-reaching importance, but would also enable them to discuss and find remedies for difficulties, and give each other much useful information in the interests of the cause.

Centralisation Proposals.—It has been suggested that it would be advantageous for societies to become branches instead of affiliated members of the Central Body, thereby using one title, securing the strength accruing from membership of a strong financial association, cheapening expenditure on books and literature, and incidentally saving registration expenses.

This would involve the conversion of the Central Association from a purely propagandist body into a Co-operative trading society, but the most important point is as to whether local responsibility could be adequately maintained under such a centralised system.

A Large London Co-operative Bank.—In view, however, of the importance of effectively counteracting the numerous bogus and quasi Co-operative Banks, several friends of the movement are seriously considering the advisability of establishing a large Central Co-operative Bank in London, which would doubtless secure a large membership of individuals in the Metropolis, and be able to serve as a helpful Central Bank to Provincial Co-operative Credit Societies.

Opinions of the "Statist" and the Chief Registrar of Friendly Societies.—I will conclude my references

to this side of the movement by quoting some extracts from the "Statist," and some written and spoken remarks of Mr. J. D. Stuart Sim, the Chief Registrar of Friendly Societies.

The "Statist," which on more than one occasion has referred in commendatory terms to the Co-operative Banks movement as it affects both town and country districts, in reviewing a report of the Co-operative Banks Association, said:

"It will be seen that the assistance given to industrious and well-conducted people by these societies is very great, and that the council of each bank gets an invaluable training in business management; thrift is encouraged; help is afforded at critical times; and habits of punctuality are enforced. The movement is as yet only in its infancy. A good deal of time was occupied in propagandist work. It may be expected, however, that in the immediate future the movement will spread more rapidly than in the past, for the experience so far gained is highly encouraging."

The Chief Registrar of Friendly Societies, in his Report for the year ending December 31st, 1906, stated:

"It is satisfactory to note that the Urban Co-operative Banks Movement is increasing and extending."

In a recent speech he remarked:

"I am thoroughly in sympathy with the objects of the Urban Co-operative Banks Association, and can hardly imagine any movement that would be more useful to the working classes."

And in a later letter to myself:

"The movement is one which all interested in the well-being and thrift of the working classes will, I believe, heartily commend. I am glad to see that the important point of adequate supervision has not been overlooked, as the success from the financial point of view must largely depend upon this, and I think that the idea of having an organising secretary constantly looking after the concerns, and advising the officers of the various branch banks, will tend towards their soundness and stability, as it will ensure the adoption of strict business methods in the conduct of their operations."

Country Districts.—*Early Village Loan Funds.*—The necessity of credit for small farmers and labourers has long been recognised, and there are many evidences of early Money Loan funds in villages.

These funds were created by donations of from £2 to £10 from the well-to-do inhabitants of villages, out

of which small loans were made to cottagers and others, generally in small sums, and a few pence per £ charged for expenses. They were necessarily controlled by the persons who lent the money, and not by the borrowers, and their only expense was the payment of £2 or £3 annually to their secretaries.

Village Credit Societies an Improvement thereon.—Village Credit Societies are an improvement on this early system, because they substitute mutual self-help for gifts and patronage.

The people themselves create by association adequate security for the capital they require, and can therefore apply for loans to their own society as a matter of business instead of favour.

There is still plenty of room for the better-off country inhabitants to show their interest in the material welfare of their poorer neighbours by advancing money on friendly business terms to these societies, who supervise the granting of loans and their due repayment.

Opinions of the late Rt. Hon. R. W. Hanbury, M.P., and Mr. H. Rider Haggard.—I might quote in support of my views on Agricultural Credit Societies two pronouncements by eminent agricultural authorities.

The first is an extract from a speech by the late Rt. Hon. R. W. Hanbury, M.P., delivered at Aberystwyth when he was President of the Board of Agriculture :—

"There is another experiment which I should like to see made, especially in districts of small farmers. The system of Agricultural Banks has been carried out almost universally on the Continent, and has been a great success in Ireland. I believe that to a community of small farmers these banks would be invaluable."

The second is by Mr. H. Rider Haggard, the well-known author of "Rural England" :—

"Personally I am convinced of the utility and great possibilities of Co-operative Banks, and believe firmly that under proper and sympathetic management, they might prove a very powerful factor in the resurrection of the departed class of British yeoman, and therefore in keeping population on the land.

"The splendid work they have done on the Continent is known to all. Why should it not be repeated here?

"From these banks deserving men, whom their fellows approve, and are responsible for, could borrow on the well-known and tested system, with the result, I am convinced, that numbers would be able to establish themselves as small farmers who have now no means to do so."

Larger Schemes of Co-operative Agricultural Credit.—Many suggestions have been made for the establishment of co-operative agricultural credit in this country on a larger scale.

The agriculturist needs credit as much or more than anyone else, also for longer periods than commercial men whose turnover is more rapid and frequent, and, if he is to be benefited by it, *at the lowest possible rates of interest.*

Personally, I should like to see a National Agricultural Bank established for this purpose, working not in opposition to, but in harmony with bankers generally.

Lord Harrowby (a banker himself), in an address to the Staffordshire Farmers' Association, said that it was a pity that farmers should not be able to have access to money for certain periods on certain terms at a lower rate of interest than they now have to pay, and suggested that if landlords approached the banks and endeavoured to get a reasonable rate of interest for their tenantry, they would be doing good to the nation, and benefiting farmers all over the country.

I think it has been pretty clearly demonstrated by Continental experience that the end aimed at cannot be achieved except on Co-operative lines, and that until farmers can be educated in this direction they will be left without the facilities so much needed, to assist them to prosper.

The difficulties which now appear insuperable could then be got over, though it will never be carried out except by earnest determination and concentration.

To summarise the matter, a practical scheme would have to be one in which bankers would be willing to co-operate. One which they would not consider formed in opposition to them, but rather to supplement their operations by fostering a form of credit which their constitution and custom prevents their creating. There would also have to be, in addition to the Central Board

in London, advisory local committees, and some form of security would have to be devised, and possibly legalised by Parliament, which would meet with the concurrence of landlords.

Relationship to the General Co-operative Movement.—In the course of this book I have not referred to the general Co-operative movement which in 1906 had 2,332,754 members, and sales amounting to nearly £100,000,000, not from any lack of appreciation of the magnificent work which it is doing, but because it is altogether separate from the Co-operative Banks movement, and whilst in no way hostile does not encourage agencies for the provision of personal co-operative credit.

The average member of a co-operative store is a thrifty person, who believes in cash trading, and apparently cannot distinguish between getting groceries "on tick" and the productive and social credit dealt with in Chapter IV.

He finds the co-operative store an excellent depository for his savings, and it is difficult for him to realise that there are others who do not go to the store, and will never save unless more aggressive means are adopted for inducing them to do so.

So long as he prospers, he does not find any necessity to borrow, and when, through losses or other misfortune, he needs to borrow, he is at an equal disadvantage with other poor persons.

In the meanwhile, there are hosts of others who are not members of co-operative stores, and who need advances for the various purposes previously described, some resorting to one or other of the various loan agencies which I have contrasted with Co-operative Banks, and some to usurers.

I venture to suggest that it is the duty of Co-operators to aid the movement for improving this state of affairs.

I am thankful to be able to say that several prominent Co-operative leaders and many members of stores have recognised this, and acted accordingly, and I hope that more will do likewise.

Their accession gives stability to societies, and their

experience in the details of economic mutuality is invaluable.

I believe that some scheme of Co-operative Banking within the general movement is being recommended.

Anything which utilises the workers' capital for the workers' benefit has my hearty sympathy, though so far as I understand the proposals in question do not include the much-needed better provision for personal credit.

The Co-operative Wholesale Society's Banking Department.—It will be unnecessary for me to deal at any length with the banking transactions (amounting to over £100,000,000 per annum) of the Co-operative Wholesale Society, which does not make loans or receive deposits from individuals, its business being confined to Co-operative Societies, Trade Unions, and other corporate bodies.

The Co-operative Productive Federation's Loan Fund.—I would like also to mention with appreciation the Co-operative Federation, Ltd., one of whose objects is to secure capital for Co-operative Productive Societies.

At the end of 1906 the Federation, which receives loan capital and pays thereon 4 per cent. per annum, had advanced over £3,000 to societies connected with it.

Relationship to the Savings Bank Movement.—I am sometimes told by people who have not properly studied the aims and objects of the Co-operative Banks movement that there is no need for a Co-operative Credit Society in their district, because it already has an excellent Savings Bank.

If this objection were a sound one, it would apply to every parish in the kingdom which has a branch of the Post Office Savings Bank.

As a matter of fact, there is plenty of room for Savings Banks and Co-operative Banks to work side by side, and the managing director of the largest institution (apart from the Government Bank) of this kind in the country recently stated to me that he would be very glad to see a Co-operative Bank established in every town where there was a branch of the excellent Savings Bank over which he so ably presides, the reason being that his institution was unable by its constitution

to advance small sums of money to those who his experience has shown him would largely profit thereby.

The history, methods, and progress of the various forms of Savings Banks in this country are most lucidly dealt with by Sir E. W. Brabrook, C.B., F.S.A., in his admirable sixpenny booklet "Institutions for Thrift," published by P. S. King and Son.

The work they have done in encouraging thrift, and the public-spirited honorary services of their trustees, are beyond praise, but when all this is admitted, the fact remains that the funds which they collect from their depositors are taken away from their districts, and compulsorily invested by the National Debt Commissioners, artificially inflating the price of Consols, and costing the country a considerable sum per annum. In the year ending December 31st, 1905, this amount was £92,032.

The promoters of the Co-operative Banks movement claim that by utilising more local savings for local purposes, much national benefit will result.

A National Money-lending Institution.—In my chapter on "Money-lending amongst the Poor," I have endeavoured to draw a true picture of the great evils which result from unrestrained money-lending. A friend to whom I read the chapter objected to one of the paragraphs on the ground that my readers would think I was striving after effect. I re-read it, and as, though somewhat lurid, it was literally true, let it stand as written.

I plead guilty to striving after effect, but not the effect of attempted fine writing or hysterical trading upon the feelings of sentimental readers.

What I aimed at was to bring home the evils which are being perpetrated every day with sufficient force to induce some of my readers to determine to do something definite to sweep the reproach away.

The Co-operative Banks movement has extirpated usury in many foreign countries, and there is no reason why, if properly supported, it should not also succeed similarly in our own land.

The ignorance of many of our poor people, the wretched wages which they receive, and the abominable

conditions under which they live, are the principal difficulties in the way.

Sometimes, when I have been confronted with particularly sad cases, and felt the burden of educating the workers economically, I have been inclined to feel that there was room for a National Money-lending Association, with branch honorary committees throughout the country.

But I have no faith in entrusting the task to private individuals as such, and an association of the nature which I have in mind would require a Board of men above suspicion in a financial sense, and it would have to be established with a capital of guarantee on a non-profit basis as regards shareholders, like the Yorkshire Penny Bank.

Propaganda Associations.—I will conclude this *olla podrida* by begging those of my readers who might otherwise not do so, to differentiate between Co-operative Credit Propaganda Associations and the Banks which they establish.

Personally, I receive scores of communications applying for individual loans from persons who apparently consider that the Association with which I am officially connected is "a society for lending any amount of money with little or no inquiry, at a low rate of interest, and with no security." This is not Co-operative Credit. The committee has had to print a special circular letter pointing out that the Association is not a bank for making loans to individuals, but simply a propaganda society for spreading information about Co-operative Credit, and promoting the formation of popular Co-operative Banks, which on their part lend to members only at as low a rate as possible, after ascertaining that there is every reasonable likelihood of these advances being of practical service, and being duly repaid.

Mutual association, it seems hardly needful to say, is the necessary preliminary to *Co-operative* Credit.

CHAPTER XIX

GENERAL CONSIDERATIONS

HAVING in preceding chapters described the formation, methods, and benefits of People's Co-operative Banks, I will now conclude with a short statement of what is required to assure their success in this country.

This may be summarised under three headings:—

1st. An increase in the number of students of social conditions, willing to introduce and to lead in the carrying out of this moral and economic reform.

2nd. An intelligent study of its possibilities of usefulness by working people, followed by definite action on their part.

3rd. More financial support to those engaged in organising the movement by means of propaganda literature, lectures, and personal intercourse and supervision.

For Social Workers.—Whilst I would be the last in the world to criticise in an unfriendly spirit the various Settlements established in London and elsewhere for improving the conditions of the people, I cannot but be struck by the fact that very few of those who work in connection with them have much knowledge of business methods.

Fortunately, much that is required for brightening the lives of people living in sordid districts, and improving the conditions by which they are surrounded, can and is being supplied by University men and women.

As the Co-operative Banks movement, however, operates in the economic sphere, the more business capacity which its leaders possess the better.

Hence it affords special scope, not only for the advocacy of the theoretical economic student, but also for the active leadership of business men and women, able and willing to devote their leisure time to efforts for the moral and material benefit of others.

One of the most encouraging signs of the times is the large and increasing number of people willing to bestow time and thought, free of charge, in neighbourly social service.

The town worker and the villager need friendly and impartial economic information and leadership badly.

The Co-operative Banks movement supplies a sphere in which even those who have no special gifts of learning, oratory, or entertainment can find ample opportunity of real usefulness.

I hope, therefore, many more possessors of business capacity and powers of organisation will see their way to enter it.

For Working People.—Then I would like to make a special appeal to working people to study the movement and to put its principles into practice in their respective districts.

One thing is very certain, and that is that unless and until they take it up actively themselves, it will never " catch on " as it is capable of doing, and become an active feature in our national life.

The material advantages of Co-operative Banks might conceivably be gained through some other form of organisation, but the moral benefits are largely dependent upon men and women forming their own societies, and tackling and overcoming all the difficulties incident to doing things for themselves, instead of having them done for them.

There is much declamation against the evils of Capitalism which cannot be dealt with in a book like this, which is not written with any political intent, but one thing I would like to impress upon my numerous working-class friends, and that is that it is possible for them to obtain a much greater share in the control of capital than they have at present, and to show by example how it may be utilised more humanely.

I wish they would rise to the opportunity.

Certainly, if they are unwilling to assume the responsibility of the collection and control of capital, their protests against its misuse will meet with scant attention.

In recent years they have awakened to a realisation of their powers of participation in Local and Imperial Government.

How long will it be before they have a more adequate idea of their powers of influencing the condition of production and commerce?

The Co-operative Banks movement offers a splendid training-ground in this connection.

For the Financial Supporters of Social Reform.— —Finally, I would like to say a few words to those who possess the means and the will to financially support sound schemes for the welfare of their poorer neighbours, of whom there are so many in this country.

I have often felt woefully deficient in the capacity to place the strong claims of the Co-operative Banks movement properly before them.

I do not believe for a moment that, if they knew them, there would be any difficulty in raising sufficient funds to establish a Co-operative Bank in every industrial district and a Village Credit Society in every rural spot where it could be helpful to the community.

Surely it is better to assist people to thrive than to pay voluntary or compulsory contributions towards relieving unemployment and distress.

While the sources of the poverty which we all deplore are numerous, one, at all events, is the lack of productive credit for small people which this movement, if adequately supported, would sweep away altogether.

Others are habits of wastefulness engendered by the non-popularity of saving for a rainy day, and the lack of responsibility due to exclusion from participation in the control of business enterprises.

The movement is capable of doing much in remedying these.

It is generally recognised that the most effective way to make a man a good patriot is to allow him to participate in representative government, and to make him a good citizen to give him a vote in municipal affairs.

The same principle applies in economic matters.

The man who has little or no stake in the economic wealth of a country will naturally become the victim of the first demagogue who comes along.

He has nothing to lose and everything to gain by any change, whether accompanied by spoliation or not.

But help him to put a few pounds between himself and the precipice of absolute want, assist him to form with his fellows societies which will provide him with financial accommodation when he can profit by its prudent use, and last (but not least) initiate him into the responsibilities of the government of these friendly financial institutions, and he will become a different person, guided in his political judgment not by the caprice of the moment, but by well-considered reasons of thoughtful equity.

BIBLIOGRAPHIC NOTE

THE bibliography of Co-operative Credit is most extensive, as can be seen by reference to the excellent "International Co-operative Bibliography," prepared and published by the International Co-operative Alliance (6, Bloomsbury Square, W.C.), in which no less than 30 pages of small type are devoted to enumerating the books and papers written upon this subject in various countries, principally in foreign languages.

The most exhaustive work on the subject in the English language is Sir F. A. Nicholson's monumental "Report Regarding the Possibility of Introducing Land and Agricultural Banks into the Madras Presidency." When I add that it is contained in two huge closely printed volumes of 408 and 291 pages respectively, some idea may be formed of the tremendous amount of work and thought involved in its compilation.

A book more within readable compass is the one by Mr. Henry W. Wolff, the principal English writer on the history of Continental Co-operative Credit, entitled "People's Banks" (P. S. King & Son. 10s. net).

The same author, in his "Co-operative Banking" (P. S. King & Son. 7s. 6d. net), has dealt very fully with the principles and practice of Co-operative Credit, and he has also published several minor books and manuals and written many articles thereon.

One of the most helpful books for the student of the subject is the "Report of the Proceedings of the Sixth International Co-operative Congress at Budapest, 1904," issued by the International Co-operative Alliance, under

whose auspices it was held. It contains a considerable number of authoritative reports and papers on Co-operative Credit Institutions including Central Banks, and on Co-operation and State-Aid.

Amongst smaller compilations may be mentioned "The Best Methods of Organisation for Agricultural Co-operation and Credit," by Dr. Herbert G. Smith, and "Co-operative Agricultural Credit in Germany and Switzerland," and "Agricultural Co-operation in Germany," by Mr. H. de F. Montgomery, which were published by the Department of Agriculture and Technical Instruction for Ireland.

Some useful information on the subject is also contained in Mr. Bolton King's "Italy of To-day" (Nisbet. 12s. net) and Mr. Edwin A. Pratt's "Organisation of Agriculture" (John Murray. 1s.).

A few British Government Reports have been printed from time to time, notably "Reports from Her Majesty's Representatives Abroad on the Raiffeisen System of Co-operative Agricultural Credit Associations" (Commercial No. 6, 1895), furnished in response to a request of Mr. Yerburgh. Most of them, however, are out of date and out of print.

Some useful information is contained in the "Report of the Committee on the Establishment of Co-operative Credit Societies in India, 1903" (Eyre & Spottiswoode. 5d.), and "Co-operative Credit in the United Provinces," by Mr. J. Hope Simpson, I.C.S., Registrar of Co-operative Credit Societies. "United Provinces," reprinted from the *Journal of Agricultural Science*, Vol. I., Part 2, April, 1906.

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The Central Co-operative Agricultural Bank, Limited.

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THE CENTRAL CO-OPERATIVE AGRICULTURAL BANK has been formed for the purpose of financing the Village Co-operative Credit Societies affiliated to the Agricultural Organisation Society, and thereby aiding, on business lines, in the establishment of a network of such societies for the benefit of small cultivators, agricultural labourers, village tradesmen, and others, to whom the principle of Co-operative Credit can be advantageously extended.

Some difficulty having been found by the Credit Societies in this country in obtaining the necessary working capital, the Executive Committee of the Agricultural Organisation Society sanctioned the formation of the Central Co-operative Agricultural Bank with a view to the removal of this difficulty.

Another difficulty which it is hoped to remove is that which the Credit Societies (which are banks of deposit as well as loan banks) experience in dealing with the deposits which they receive from their members. Up to the present the societies have often been compelled to refuse deposits because they were unable at the moment to make use of them. It is suggested that all surplus deposits should be handed to the Central Co-operative Agricultural Bank, which would either advance them to societies requiring additional capital or otherwise invest them.

As the primary object of the Central Co-operative Agricultural Bank is not the gain of individuals, the dividend payable on shares is specifically limited to 5 per *cent. per annum.*

